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The Conference Board

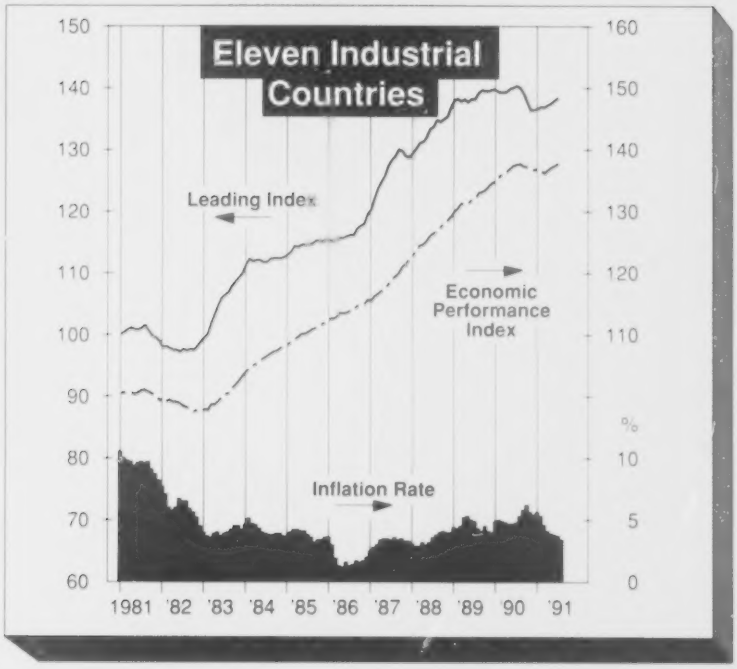
Volume 13, Number 10 October 1991

International Economic Scoreboard

INSIDE:

- **Global Business Cycle Still on Recovery Path**
  - **8 of 11 Countries Show Favorable Signals**
- **Inflation Subsiding in Most Countries**
  - **Uncharacteristically, German Inflation Accelerating**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	0	1	-3	-2	1	Recovery underway	July
Ten countries (U.S. excl.)	3	4	3	3	-2	0	-1	Expansion continuing, leaders weak	July
North America (2)	3	-6	-6	-3	-6	-3	3	Recovery underway	July
Europe (4)	2	4	2	3	0	2	2	Expansion continuing	July
Pacific Region (5)	4	5	5	4	-4	-3	-3	Expansion continuing, leaders weak	July
United States	3	-7	-5	-2	-4	-1	3	Recovery underway	Aug.
Canada	3	-7	-4	-2	-8	-4	0	Recession ending	July
West Germany	2	8	6	5	5	2	0	Expansion continuing, leaders weak	July
France	2	5	4	3	1	4	4	Expansion continuing	June/Aug.
United Kingdom	2	-3	-6	-2	-4	0	2	Recession ending, leaders improving	July
Italy	2	4	0	6	-3	-1	1	Expansion continuing	July/June
Japan	4	6	6	6	-4	-4	-5	Expansion continuing, leaders weak	July
Korea, R.O.K.	7	9	8	9	-1	6	9	Expansion continuing	Aug.
Australia	3	-8	-10	-3	-3	0	5	Recession ending, leaders improving	Aug.
New Zealand	2	0	-2	-2	-4	-3	-1	Recession continuing, leaders weak	June/July
Taiwan, R.O.C.	8	4	5	6	2	8	8	Expansion continuing	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Moderate Recovery, Slowing Inflation

The latest business cycle data show further evidence of a worldwide economic recovery. This is true for both the eleven-country leading index, which has moved higher in 6 of the latest 7 months, and the performance index, which has moved higher in each of the latest 4 months.

A year ago we noted that cyclical weakness was concentrated in the five English-speaking countries. Currently, as the chart on the next page shows, all five appear to be on the road to recovery. However, two important economies that were not showing weakness a year ago are questionable now: Germany (see p.7) and Japan (p.9). All in all, eight of the eleven countries covered in this report are showing advances in their leading indexes. Despite this breadth of improvement, the pace of recovery to date appears to be moderate.

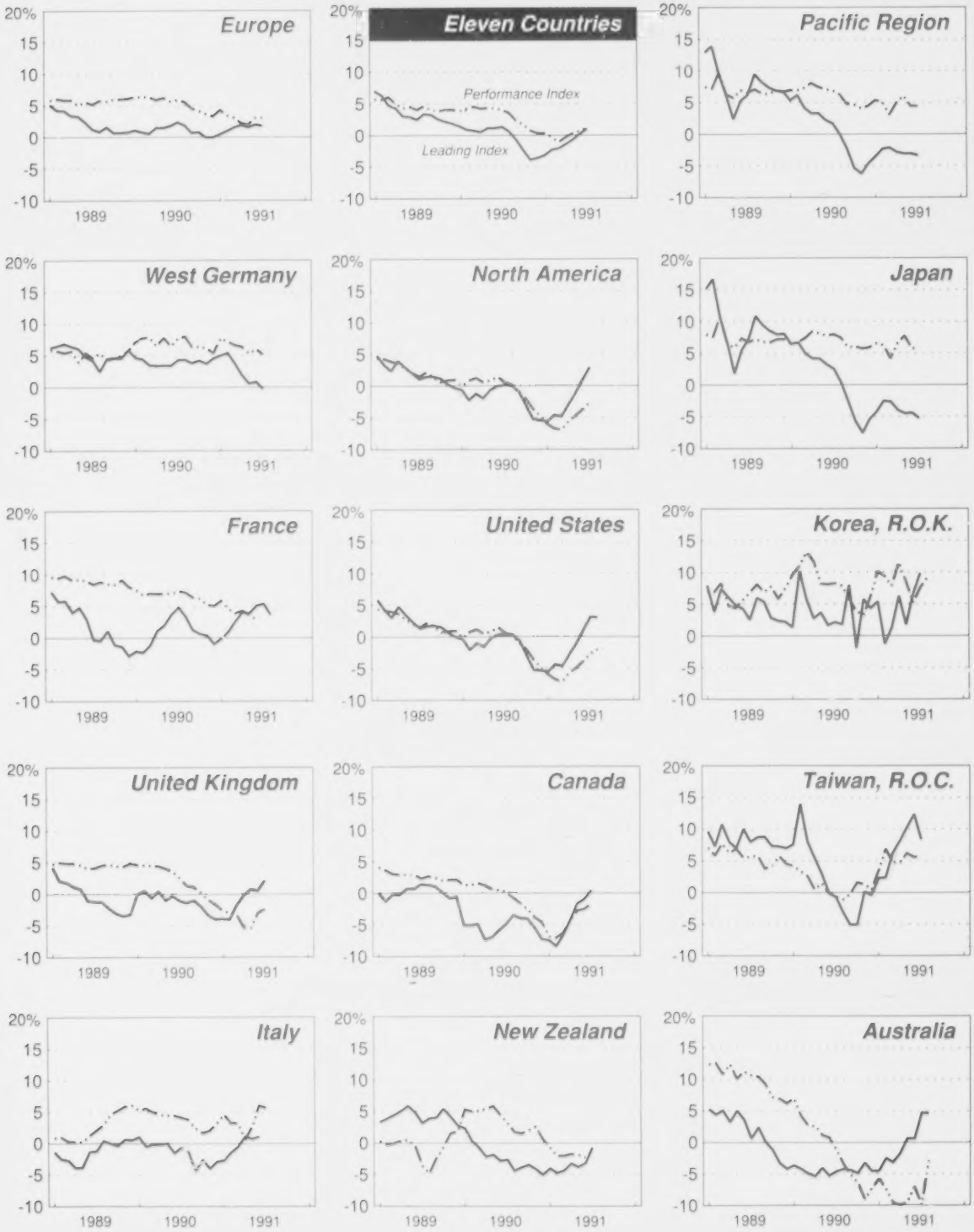
Inflation continues to abate. The rate of advance in consumer prices for the 11-nation composite price index dropped to 3.4 percent in August, its eighth consecutive decline and the slowest rate since 1986.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.3	3.9	3.4	Falling	Aug.
Ten countries (U.S. excl.)	5.2	5.0	3.9	3.9	Steady	Aug.
North America (2)	5.6	5.6	3.9	3.2	Falling	Aug.
Europe (4)	6.6	4.9	4.1	4.4	Volatile	Aug.
Pacific Region (5)	3.4	4.7	3.2	2.8	Falling	Aug.
United States	5.5	5.4	3.8	3.0	Falling	Aug.
Canada	6.5	7.5	6.0	4.4	Falling	Aug.
West Germany	2.9	2.7	2.8	4.8	Rising	Aug.
France	7.3	3.5	2.7	2.8	Steady	Aug.
United Kingdom	7.3	6.7	4.6	4.2	Falling	Aug.
Italy	11.2	6.7	6.8	5.9	Falling	Sept.
Japan	2.5	4.4	3.1	2.4	Falling	Aug.
Korea, R.O.K.	8.1	11.1	8.0	9.7	High and Volatile	Aug.
Australia	8.4	7.1	4.4	2.4	Falling	May
New Zealand	11.8	4.5	4.6	2.1	Falling	May
Taiwan, R.O.C.	4.4	3.5	2.5	4.9	Rising	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

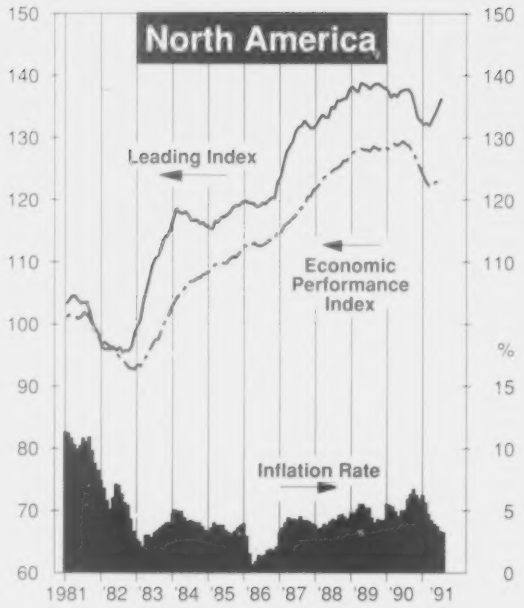
Tracking the Global Cycle

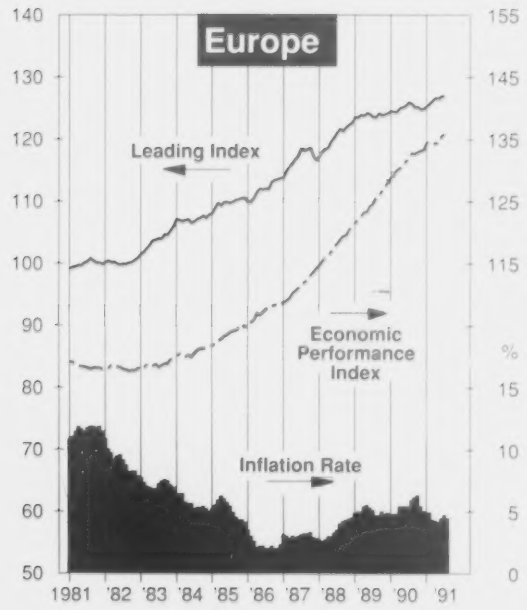


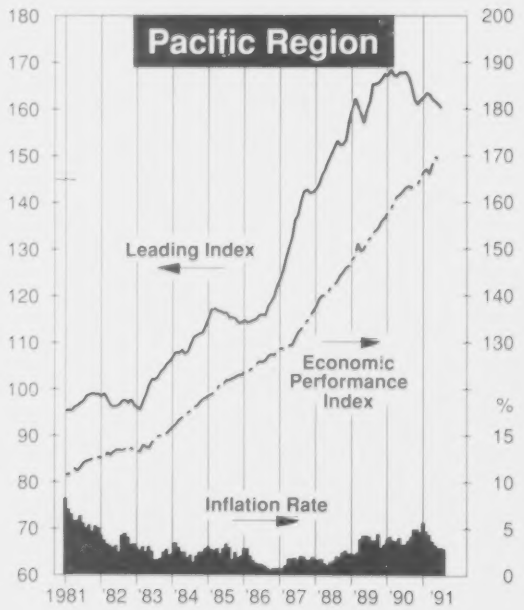
Diverse Patterns

The patterns traced by the three sets of regional indexes across the 1990-91 business cycle are somewhat diverse. The clearest pattern of recession and recovery is found in the North American indexes, where since March the leaders have been rising steadily and sturdily and the performance index has been rising steadily but slowly. Europe shows few signs of having been through a business cycle these past two years (the U.K. was, but not the Continent). The European leading index has been on a very gradual upswing all this year, suggesting that total economic activity (the performance index) will continue to crawl higher. In the Pacific Region (where the indexes are dominated by the Japanese economy), the performance index is still climbing gradually despite the substantial 18-month decline in the leading index.

The inflation threat has eased in all three regions, at least for now. Since January, the rate of increase in the general price level slowed only a bit in Europe, but has been cut almost in half in both North America and the Pacific Region.







On Course

The U.S. indexes provide a classic picture of cyclical recovery. As of last March, the leaders reversed direction smartly. The performance index did likewise, but its advance since then has been very gradual. Doubts about the staying power of the upswing are widespread in America, but hard evidence of a relapse into recession is difficult to find. The pace of expansion, however, may slacken earlier than it usually does. Because the 1990 recession was mild and thus left only a limited gap to fill before production gets back near full utilization of capacity, the normally rapid early recovery pace is not sustainable beyond maybe another 12 months.

The inflation rate slowed further in August, to 3.0 percent. This is the tenth month in a row showing a slower rate.

Inflation Closer to Normal

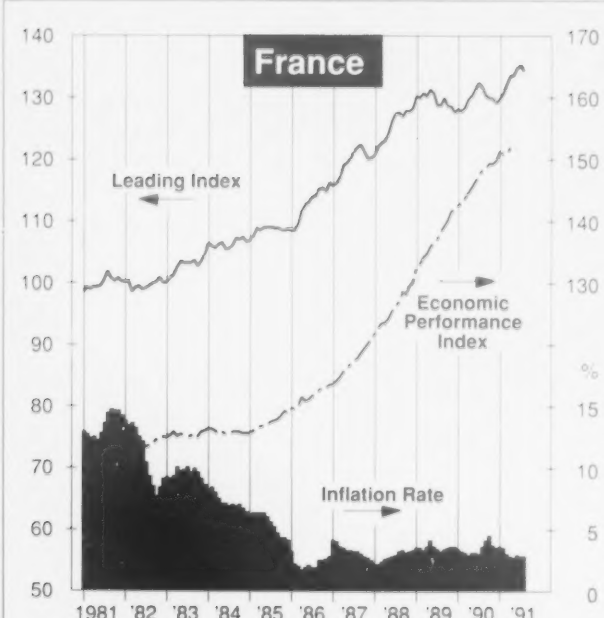
The Canadian indexes look much like those in the United States. The brisk advance in the leaders recently can be traced mostly to gains in the factory workweek and residential building permits.

Inflation, at 4.4 percent, has returned to a more normal rate, after being pushed sharply higher at the beginning of this year by the imposition of a general sales tax.

Uncharacteristic Inflation

After defying the global recession of 1990 by advancing steadily all year, the German leading index has sagged a bit since February. Among the component series, the most pronounced weakness is seen in the data on working hours and insolvent companies. One factor working to slow the economy is the new income-tax surcharge. In response to that drain on purchasing power, automobile registrations fell sharply in August, and some weakness has been reported in other consumer markets.

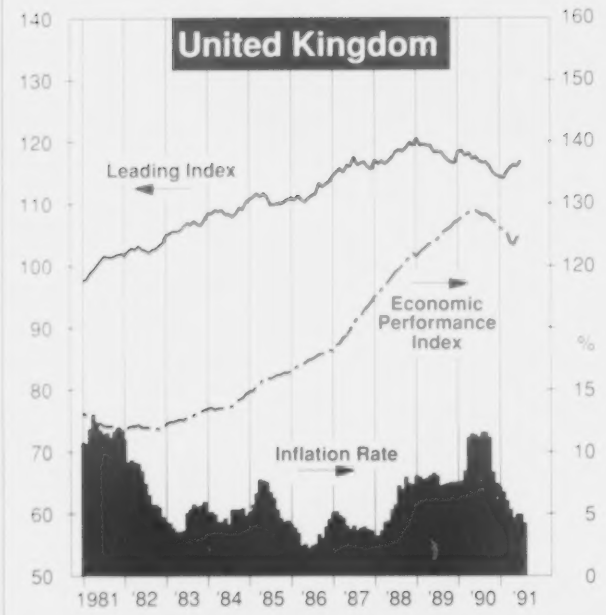
In recent months, the inflation rate has accelerated to a rate—4.8 percent in August—that is uncharacteristically high for Germany.



No Recession, Slow Inflation

After showing some modest weakness in the second half of 1990, the leading index bottomed out in December and since then has climbed a substantial 4 percent through August. Total economic activity never stopped expanding. Thus here, too, no recession.

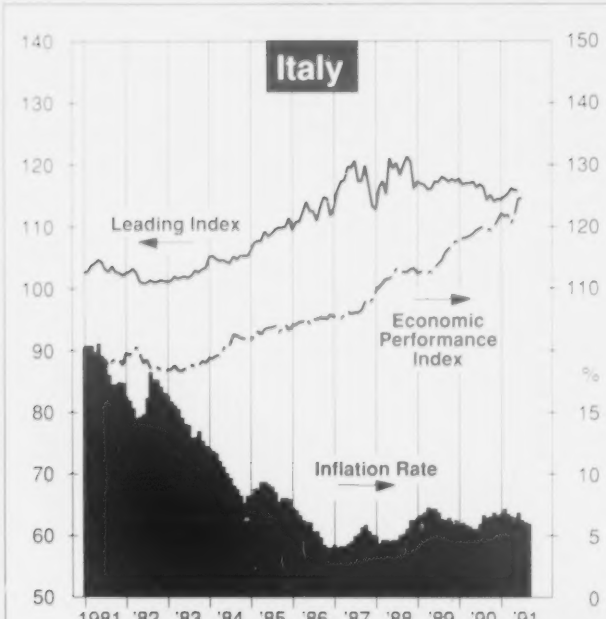
The inflation rate has been steady in recent months. At 2.8 percent, the French have the lowest rate in Europe.

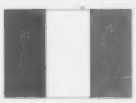


Looking Up

The leading index has been advancing steadily since February, and at a respectable pace, with housing starts, common stock prices, and the ratio of prices to labor costs (a measure of profit margins) contributing the most strength. Thus far the performance index has not been doing nearly as well.

In response to last year's painful recession, the inflation rate in Britain has continued to move lower. The rate was down to 4.2 percent in August.

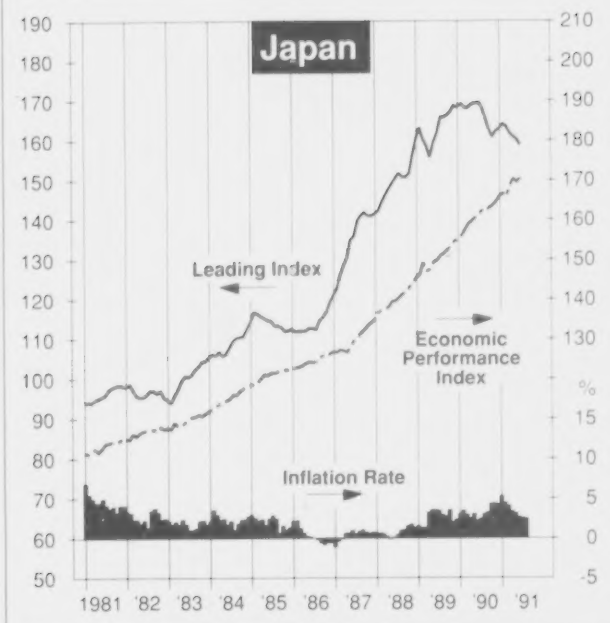




Modest Improvement

The leading index has been erratic month to month, but it has moved modestly higher since late last year. Similarly, the performance index has been climbing irregularly but persistently all year. Not all the economic news is favorable, however; for example, the unemployment rate remains above 10 percent.

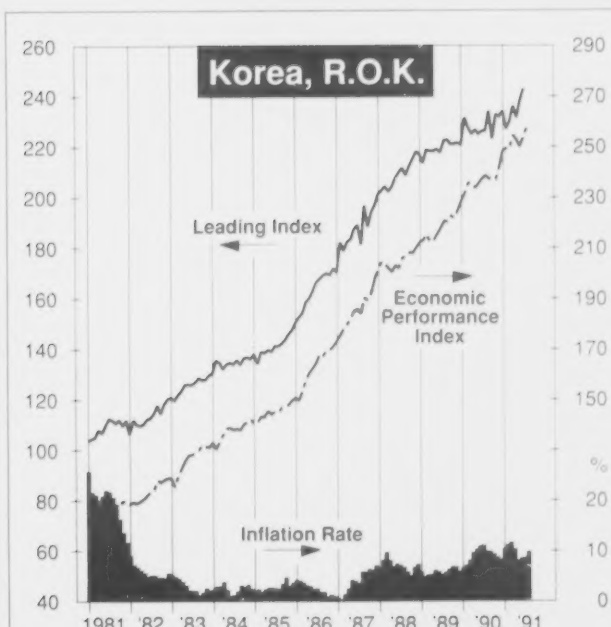
At 5.9 percent, the inflation rate remains the highest in Europe, but it has been working lower grudgingly.



Recession Risks Continue

The Japanese economy has stubbornly resisted the global recession these past two years, but whether or not it will continue to do so this fall and winter is a close call. Domestic demand appears to be declining, and the leading index dropped again in July, continuing the sizable slide that has been underway for over a year. Weakness among the components that make up the leading index has been most pronounced recently in factory working hours, business failures, housing starts, and profitability.

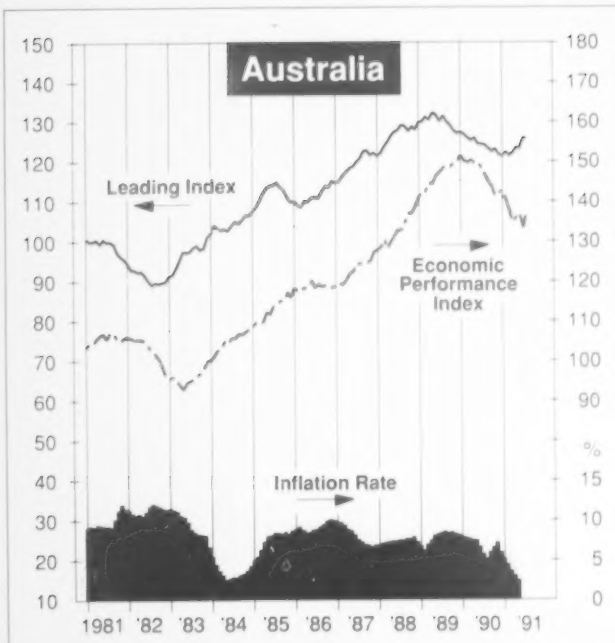
The inflation rate in Japan came down to 2.4 percent in August. This is half the rate of last January.



Unmistakable Uptrend

Both cyclical indexes have behaved erratically over the course of this year, but—despite government efforts to constrain economic activity (in an effort to curb imports, the trade deficit, and inflation)—the strong uptrend in the economy is unmistakable. Both of these indexes reached new record highs in August. Strength among the individual leaders was greatest in machinery orders.

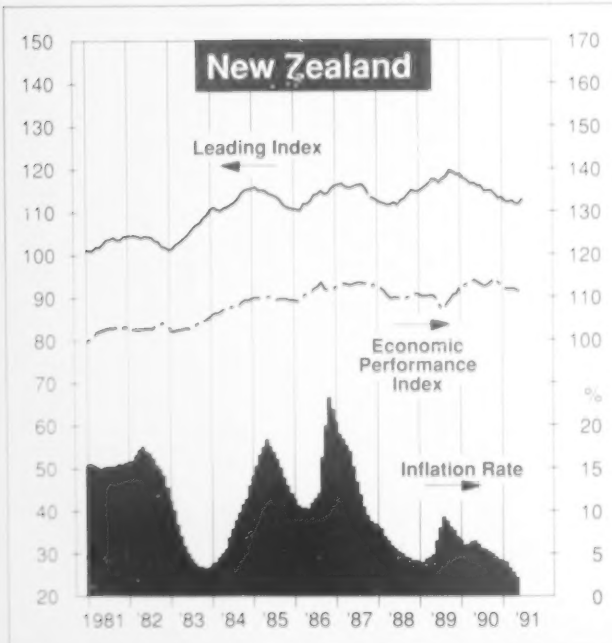
Inflation, after slowing a bit in the spring, appears to have accelerated again over the summer months. At 9.7 percent, Korean inflation is the highest of the eleven countries in this report.



Recovery, Finally?

The leading index hit bottom as long ago as January, and has been rising in fits and starts since then, but at a respectable pace. Stock prices and the money supply have been leading the way. For awhile the performance index continued to decline, but it showed signs of life in August and may now, finally, be ready to follow the leaders up the road to recovery.

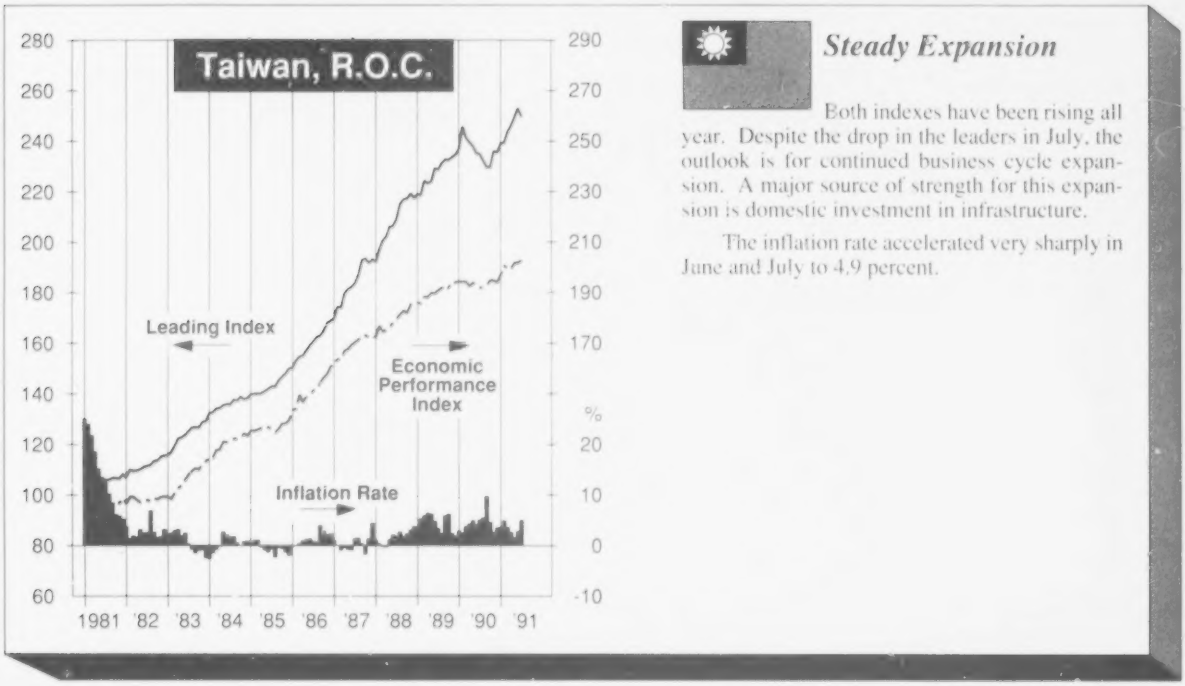
At the latest reading, inflation slowed further to 2.4 percent—by most standards a very unthreatening rate.



Downdrift Continues

Both the leaders and the performance index have been on a steady downdrift for the past year and a half. The leading index ticked up in July, but not by enough to be persuasive that its direction had changed. The best news for New Zealand, probably, is the favorable—albeit tentative—signals of recovery reported for Australia.

Another piece of good news for the Kiwi economy is inflation. At 2.1 percent, the rate is the slowest of all eleven nations.



Steady Expansion

Both indexes have been rising all year. Despite the drop in the leaders in July, the outlook is for continued business cycle expansion. A major source of strength for this expansion is domestic investment in infrastructure.

The inflation rate accelerated very sharply in June and July to 4.9 percent.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too— typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Philip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100										Growth Rates, Percent									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	136	139	142	140	129	137	130	125	161	167	4	0	6	2	0	-2	6	1	8	3
May	90	137	140	142	140	129	137	131	125	162	168	4	1	6	2	1	-1	6	1	7	3
June	90	137	140	143	140	130	138	131	125	162	168	4	1	6	2	1	0	6	2	7	2
July	90	138	140	144	141	129	138	132	126	163	168	4	1	6	2	1	0	6	2	7	2
Aug.	90	138	140	144	140	129	138	133	126	164	167	3	0	5	1	0	0	6	2	6	0
Sept.	90	137	139	144	139	128	137	133	125	163	165	3	1	4	-1	-1	-1	4	1	5	-2
Oct.	90	137	138	144	138	127	135	133	125	164	162	2	-2	4	-2	-2	-3	4	1	5	-5
Nov.	90	137	136	144	137	126	133	133	125	164	161	1	-4	3	-3	-4	-5	4	0	4	-6
Dec.	90	137	136	145	138	125	133	133	125	165	162	0	-4	3	-2	-5	-6	3	0	4	-5
Jan.	91	137	136	146	138	124	132	134	125	167	163	0	-3	4	-2	-6	-6	4	0	5	-4
Feb.	91	136	137	146	138	123	132	134	126	167	164	0	-2	3	-1	-7	-5	3	1	5	-2
Mar.	91	136	137	146	139	122	132	134	126	166	163	1	-2	2	0	-7	-5	3	2	3	-2
Apr.	91	137	137	146	139	123	133	134	127	168	162	0	-2	3	0	-6	-3	2	2	5	-3
May	91	137	137	147	138	123	134	134	126	170	162	0	-1	3	-1	-5	-1	2	2	6	-3
June	91	137	138	147	138	123	135	136	127	169	161	1	0	3	0	-4	1	3	2	4	-3
July	91	138	138	148	138	123	136	136	127	170	160	1	1	3	-1	-3	3	3	2	4	-3
												Ten-Year Annual Growth Rate, Percent									
												1	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	128	138	135	119	126	130	145	130	129	118	118	117	159	168	236	225	150	126	114	116	192	239
May	90	128	139	134	118	127	130	146	130	129	117	119	117	160	169	234	227	150	126	114	117	194	238
June	90	129	140	134	119	127	130	146	131	129	118	119	116	160	169	235	225	150	125	114	116	192	235
July	90	128	140	134	119	126	131	146	132	129	117	120	117	162	169	237	226	149	124	113	116	192	234
Aug.	90	128	140	134	119	129	132	148	132	128	117	120	116	162	168	238	226	147	124	113	115	192	232
Sept.	90	128	139	133	118	129	132	148	130	128	116	120	114	162	166	238	234	145	124	113	115	193	230
Oct.	90	127	137	132	118	130	133	149	130	128	116	119	115	163	163	237	223	144	123	114	115	195	229
Nov.	90	126	135	131	116	130	133	149	130	127	115	120	114	163	161	237	233	141	123	114	114	195	236
Dec.	90	124	134	130	115	131	134	150	129	127	115	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	134	128	114	133	135	151	130	126	114	122	114	166	163	248	234	143	122	113	113	197	239
Feb.	91	122	134	128	112	133	136	151	131	126	114	122	115	166	164	249	227	141	122	112	112	201	239
Mar.	91	122	134	128	113	134	135	151	132	126	115	122	115	166	163	249	230	138	122	112	112	199	243
Apr.	91	122	135	129	114	134	134	152	133	124	116	120	116	168	162	255	234	135	122	112	112	199	246
May	91	122	136	129	115	134	133	152	134	123	116	122	116	170	161	253	236	136	124	112	112	202	249
June	91	122	137	129	115	135	134	152	135	125	116	124	116	169	160	250	232	137	123	111	112	202	253
July	91	123	138	129	116	136	133		135	125	117	125		170	159	254	238	134	126		113	203	249
Aug.	91	123	138						134							258	243	138	126				
		Growth Rates, Percent																					
Apr.	90	0	-2	2	-7	6	3	7	1	4	0	4	0	9	4	12	3	2	-5	3	-2	0	5
May	90	1	0	1	-7	8	3	7	2	4	-1	4	0	8	4	8	4	1	-4	4	-2	1	3
June	90	1	0	1	-6	6	3	7	4	3	0	4	-2	8	3	8	2	0	-5	2	-3	0	0
July	90	1	0	0	-5	8	4	8	5	2	1	4	-1	8	2	8	2	-2	-5	2	-3	-1	-1
Aug.	90	0	0	1	-3	8	4	7	3	1	-2	4	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	1	-1	2	-3	8	4	6	1	1	-1	2	-5	6	3	6	8	-6	-4	0	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	2	-3	6	-6	4	-2	-7	-5	1	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-4	2	-4	1	0
Dec.	90	-5	-5	-5	-7	5	5	5	-1	2	-4	3	-3	6	-6	6	4	-8	-5	0	-5	0	0
Jan.	91	-6	-6	-7	-8	8	5	6	0	3	-4	4	-3	6	-4	10	5	-6	-5	-1	-4	4	-2
Feb.	91	-7	-4	-7	-8	7	5	4	1	3	-4	3	-2	6	-3	9	-1	-8	-3	-2	-5	7	-2
Mar.	91	-7	-5	-6	-7	6	4	4	-2	3	-2	4	-1	4	-3	8	1	-10	-3	-2	-4	5	-6
Apr.	91	-6	-3	-4	-4	6	2	4	4	-6	0	0	1	6	-4	12	5	-12	-2	-2	-3	5	-8
May	91	-5	-1	-3	-2	5	0	4	4	-5	1	3	1	8	-4	8	6	-10	0	-2	-4	6	-10
June	91	-4	-1	-3	-1	6	1	3	5	-3	0	6	1	6	-4	5	1	-7	1	-2	-3	6	-12
July	91	-3	-3	-2	-0	5	0		5	-2	-2	6		6	-5	8	6	-10	-5		-1	6	-8
Aug.	91	-2	-3						4							9	9	-3	-5				
		Ten-Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

R4105-6A

The Conference Board

Volume 13, Number 11 November 1991

International Economic Scoreboard

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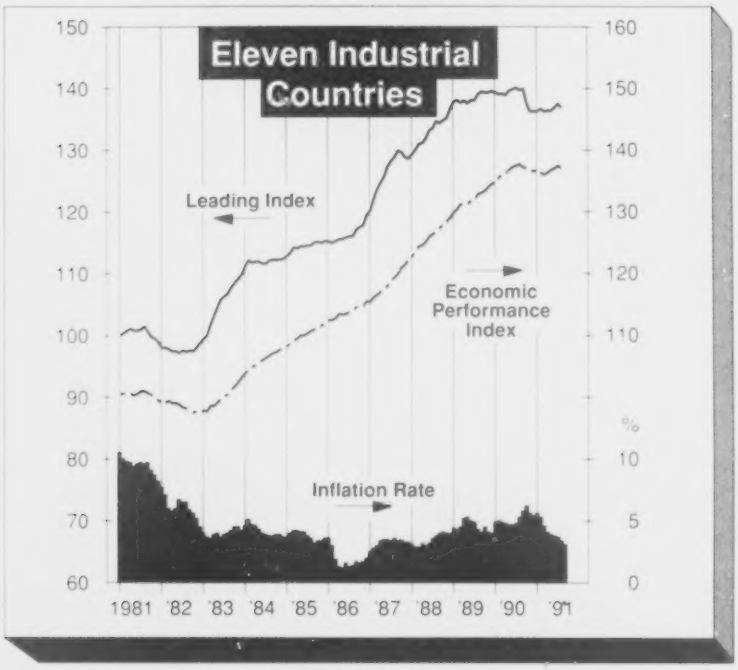
- **Global Recovery Muddled**
- **Big Three on Divergent Paths**
  - **U.S. Recovery Losing Momentum**
  - **Japan Headed Down**
  - **German Economy Flat**
- **Inflation Subsiding Almost Everywhere**
  - **Exceptions: Germany, Korea**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos ago	3 mos ago	Latest month	6 mos ago	3 mos ago	Latest month		
Eleven countries	3	-1	0	0	-2	-2	0	Recovery underway	Aug.
Ten countries (U.S. excl.)	3	3	3	2	-1	-3	-4	Expansion continuing, leaders weak	Aug.
North America (2)	3	-7	-5	-2	-5	-1	4	Recovery underway	Aug.
Europe (4)	2	3	2	1	1	1	1	Expansion continuing	Aug.
Pacific Region (5)	4	5	6	3	-2	-8	-10	Expansion continuing, leaders weak	Aug.
United States	3	7	-4	-1	-5	1	4	Recovery underway	Sept.
Canada	3	-7	-3	-2	-8	-2	0	Recession ending	Aug.
West Germany	2	7	5	2	5	0	0	Expansion continuing, leaders weak	Aug.
France	2	4	4	3	2	5	2	Expansion continuing	Aug./Sept.
United Kingdom	2	-3	-5	-4	-5	-1	0	Recession ending, leaders improving	Aug.
Italy	2	4	0	6	-2	1	2	Expansion continuing	July/Aug.
Japan	4	6	7	3	-2	-11	-13	Expansion slowing, leaders weak	Aug.
Korea, R.O.K.	7	8	5	6	1	0	6	Expansion continuing	Sept.
Australia	3	-10	-7	-8	-3	-1	2	Recession ending, leaders improving	Sept.
New Zealand	2	0	-2	-2	-5	-4	0	Recession continuing, leaders weak	June/Aug.
Taiwan, R.O.C.	8	5	6	4	6	12	9	Expansion continuing	Sept.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Global Recovery Muddled

The global business cycle has suddenly become confused. Although the leading indexes for most of the 11 industrial economies covered in this report look pretty much the same as they did a month or two ago, what had appeared to be a gradually developing recovery in the 11-country index has now faltered—at least for the moment.

The 3 percent plunge in the Japanese leading index (see story, page 4) is the dominant reason for the global standstill this month. In addition, however, the leading indexes of the two other large economies are going nowhere fast. After July, the United States index, which had been the pacesetter for the recovery, suddenly lost its upward momentum (story, page 4). And the German index continued the stagnation it has exhibited all year (story, page 5).

Elsewhere, the recent behavior of the early moving indexes is generally indecisive, with a slight positive tilt. Data revisions in the United Kingdom and Australia make their indexes look less favorable than before. Only Taiwan and Korea show strongly positive signals.

The good news is found in the inflation numbers. The 11-country rate is down to 3.1 percent, and ten of the 11 countries have recorded a slowdown over the past half year. The single exception (again this month) is West Germany, where the inflation rate has more than doubled since March.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	4.6	3.8	3.1	Falling	Sept.
Ten countries (U.S. excl.)	5.2	4.6	3.8	3.3	Falling	Sept.
North America (2)	5.6	4.7	3.7	3.0	Falling	Sept.
Europe (4)	6.6	4.3	4.4	4.3	Steady	Sept.
Pacific Region (5)	3.4	4.3	2.8	1.9	Low and Falling	Sept.
United States	5.5	4.0	3.2	2.6	Falling	Oct.
Canada	6.5	7.3	5.8	3.8	Falling	Sept.
West Germany	2.9	2.2	3.4	4.6	Rising	Sept.
France	7.3	3.0	2.9	2.6	Falling	Sept.
United Kingdom	7.3	6.0	4.9	4.0	Falling	Sept.
Italy	11.2	6.7	6.4	5.6	Falling	Oct.
Japan	2.5	4.0	2.6	1.3	Low and Falling	Sept.
Korea, R.O.K.	8.1	11.5	8.4	9.1	High and Volatile	Sept.
Australia	8.4	4.4	2.4	1.8	Low and Falling	Aug.
New Zealand	11.8	3.9	2.1	1.4	Low and Falling	Aug.
Taiwan, R.O.C.	4.4	3.5	2.7	1.1	Low and Falling	Sept.

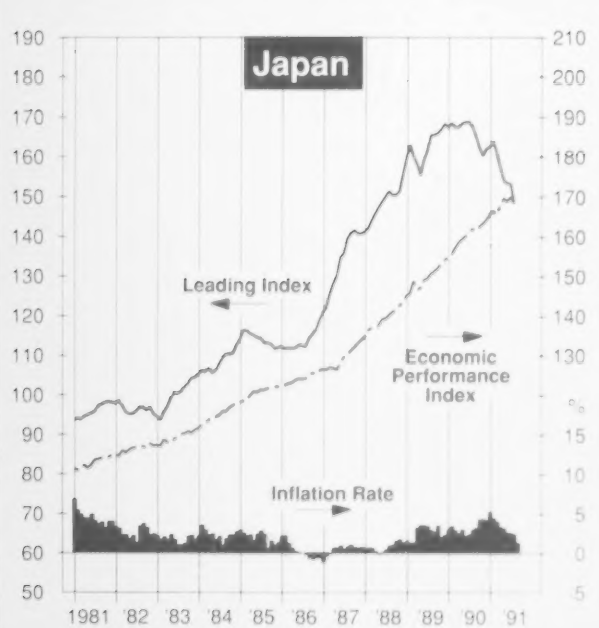
* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Analytical Anarchy

The United States leading index, after climbing briskly from March through July, leveled off in August and September. Accordingly, doubts about the staying power of the business cycle recovery have intensified, and evidence of a relapse into renewed recession—mentioned last month as being difficult to find—is now visible here and there: the October plunge in consumer expectations, for example.

Although public sentiment about the economy is almost universally negative, evidence on the optimistic side of the ledger is also to be found in the statistics—e.g., declining short-term interest rates and subsiding inflation. But most of the indicators are ambiguous as to the direction they point.

All this leaves forecasters thoroughly confused. The cyclical recovery had seemed safely underway, and it is entirely out of character for an upswing to lose momentum at such an early stage. Perhaps the historical pattern will reassert itself and the recovery will resume its slow but sure upward path. Alternatively, the pause may persist. Right now the signals from the leading index are equivocal and obscure. Stay tuned for new evidence next month!



Outlook Deteriorates Further

The cyclical outlook for Japan, which had already looked weak, has now turned conspicuously bad. At the latest report, revised data for the spring and early summer lowered the leading index by 4 percent, and now the August reading shows a further plunge of 3 percent. An increase in business failures coupled with declines in stock prices, housing starts, and new machinery orders, account for the sharp August drop.

Japanese officials are now discussing the probability of a "growth recession"—a half year or a year of slow or no growth in the economy. But the performance index suggests that such a period may already have begun, and a more serious cyclical episode—a full-fledged decline in economic activity—may be in the offing. The unfavorable economic omens are the most serious since the 1970s.

The inflation statistics look better than ever. Japan's rate is down to 1.3% as of September, from 4 percent last March, and the lowest rate but one (New Zealand) of the 11 industrial countries covered here.

Economy Cooling, Inflation Heating

After eight years of steady, vigorous expansion, the West German economy is cooling off. The leading index has been flat all year. At the moment, however, no serious weakness—nothing remotely comparable to the seriously negative portents seen in Japan—seems to be in sight. Among the components of the leading indexes the weakest indicators are working hours and company insolvencies. Other unhappy signs include high interest rates and rising inflation.

Those signals, in turn, are probably responsible for a large part of the recent decline in consumer confidence among West Germans. On the plus side, export orders, which had been declining since mid-1990, have stabilized recently and may be improving slightly.

The economy is cooling but not inflation, which is probably the most serious issue in Germany these days. Driven by the earlier strength in the economy and by rising wage rates, prices were climbing at a 4.6 percent in September, more than double the 2.2 percent inflation rate of last March.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	136	139	142	140	129	136	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	132	126	162	168
July	90	138	140	144	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	133	133	125	164	161
Dec.	90	137	136	145	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	167	163
Feb.	91	136	137	146	138	123	132	134	126	167	164
Mar.	91	136	136	146	138	122	132	135	126	166	161
Apr.	91	136	136	146	137	123	133	134	126	168	159
May	91	137	136	147	136	123	134	134	126	170	156
June	91	137	137	147	136	123	135	135	127	169	156
July	91	138	138	147	136	123	137	136	127	169	156
Aug.	91	137	137	147	135	123	137	135	127	169	152
		Growth Rates, Percent									
Apr.	90	4	0	6	2	0	-2	6	2	8	3
May	90	4	1	6	2	1	-1	6	2	7	3
June	90	4	1	6	2	1	0	6	2	7	2
July	90	4	1	6	2	0	0	6	2	7	2
Aug.	90	3	1	5	1	0	0	6	2	6	0
Sept.	90	2	-1	4	-1	-1	-1	4	1	5	-2
Oct.	90	2	-2	4	-2	-2	-3	4	1	5	-5
Nov.	90	1	-4	3	-3	-4	-5	4	0	4	-6
Dec.	90	0	-4	3	-2	-5	-6	3	0	4	-4
Jan.	91	0	-3	4	-2	-6	-6	4	0	5	-3
Feb.	91	-1	-2	3	-1	-7	-5	3	1	5	-2
Mar.	91	-1	-3	2	-2	-7	-5	3	1	3	-4
Apr.	91	-1	-2	3	-2	-6	-3	2	2	4	-6
May	91	0	-2	3	-3	-5	-1	2	1	6	-8
June	91	0	-1	3	-3	-4	1	3	2	4	-8
July	91	1	0	3	-2	-2	3	3	2	4	-7
Aug.	91	0	0	2	-4	-2	4	1	1	3	-10
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	128	138	135	119	126	130	145	130	129	118	118	117	159	168	236	225	150	126	114	116	192	239
May	90	128	139	134	118	127	130	146	130	129	118	119	117	160	169	234	227	150	126	114	117	194	238
June	90	129	139	134	119	127	130	146	131	129	118	119	116	160	169	235	225	150	125	114	116	192	235
July	90	128	139	134	119	128	131	148	132	129	117	120	117	162	169	237	226	149	124	113	116	192	234
Aug.	90	128	140	134	119	129	132	148	132	129	117	120	116	162	166	238	226	147	124	113	115	192	232
Sept.	90	128	139	133	118	129	132	148	130	129	117	120	114	162	165	238	234	145	124	113	115	193	230
Oct.	90	127	137	132	118	130	133	149	130	128	116	119	115	163	163	237	223	144	123	114	115	195	229
Nov.	90	126	135	131	116	130	133	149	130	128	115	120	114	164	160	237	233	141	123	114	114	195	236
Dec.	90	124	134	130	115	131	134	150	129	127	114	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	134	128	114	133	135	151	130	126	114	122	114	166	163	248	234	143	122	113	113	197	239
Feb.	91	122	134	128	112	133	135	151	131	126	114	122	115	166	164	249	227	141	122	112	113	201	239
Mar.	91	122	134	128	113	134	135	151	132	126	114	122	115	166	161	249	230	138	122	112	112	199	243
Apr.	91	122	135	129	114	134	134	152	133	124	115	120	116	168	158	255	234	135	122	112	113	199	246
May	91	122	136	129	115	134	133	152	134	124	115	122	116	170	154	253	236	136	123	112	112	202	249
June	91	122	137	129	115	135	134	152	134	124	115	124	116	169	154	250	229	137	122	112	112	202	253
July	91	123	139	129	116	135	133	153	135	124	116	125	116	170	154	254	236	133	124		113	202	249
Aug.	91	123	139	129	116	134	134	153	134	123	115		116	169	149	258	241	137	124		113	202	252
Sept.	91	123	139						134							256	239	134	124			202	253
		Growth Rates, Percent																					
Apr.	90	0	-2	2	-7	6	3	7	1	4	1	4	0	9	4	12	3	2	-5	3	-2	0	5
May	90	1	0	1	-7	8	3	7	2	4	0	4	0	8	4	8	4	1	-4	4	-2	1	3
June	90	1	0	1	-6	6	3	7	4	3	0	4	-2	8	3	8	2	0	-5	3	-3	0	0
July	90	1	0	0	-5	8	4	8	5	2	-1	4	-1	8	2	8	2	-2	-5	2	-3	-1	-1
Aug.	90	0	0	-1	-3	8	4	7	3	1	-2	4	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	-1	-1	-2	-4	6	4	6	1	1	-1	2	-5	6	-2	6	8	-6	-4	0	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	2	-3	6	-6	4	-2	-7	-5	1	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-4	2	-4	1	0
Dec.	90	-5	-5	-5	-7	5	5	5	-1	-2	-4	3	-3	6	-5	6	4	-8	-5	0	-5	0	0
Jan.	91	-6	-6	-7	-8	8	5	6	0	-3	-5	4	-3	6	-4	10	5	-6	-5	-1	-4	4	2
Feb.	91	-7	-4	-7	-8	7	5	4	1	-3	-5	3	-2	6	-2	9	-1	-8	-3	-2	-5	7	2
Mar.	91	-7	-5	-6	-7	6	4	4	2	-3	-3	3	-1	4	-5	8	1	-10	-3	-2	-4	5	6
Apr.	91	-6	3	-4	-4	6	2	4	4	-5	-2	0	1	6	-8	12	5	-12	-2	-1	-3	5	8
May	91	-5	-1	-3	-2	5	0	4	4	-5	-1	3	1	7	-11	8	5	-10	0	-1	-4	6	10
June	91	-4	1	-3	-1	6	1	3	5	-4	-1	6	1	5	-10	5	0	-7	-1	-2	-3	6	12
July	91	-3	4	-2	0	5	0	4	5	-4	1	6	2	6	-9	8	4	-10	1		-1	5	8
Aug.	91	-2	4	-2	0	2	0	3	4	-4	0		2	3	-13	9	8	-4	2		0	4	9
Sept.	91	-1	4						2							6	6	-8	2			4	9
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 13, Number 12 December 1991

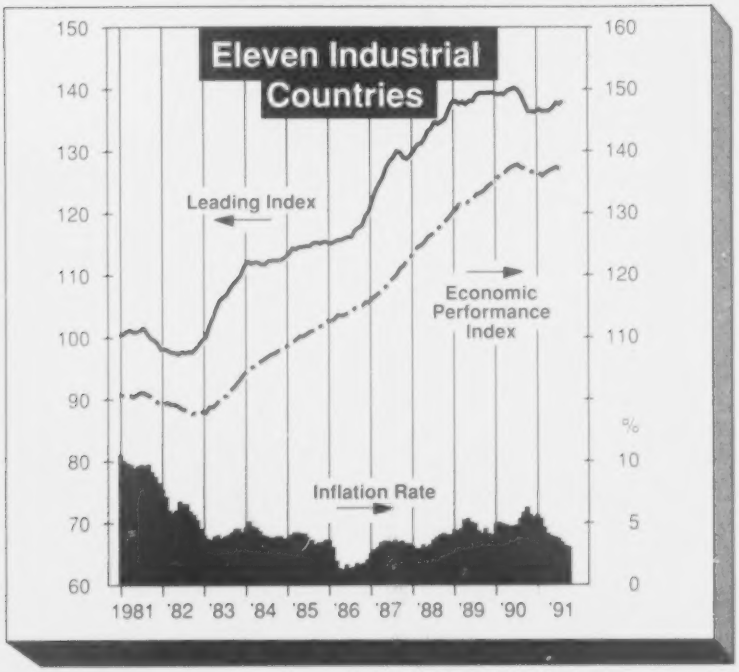
International Economic Scoreboard

INSIDE:

- **Global Business Cycle Becalmed**
- **United States: Recovery Continuing**
- **Japan: Cyclical Weakness Persists**
- **Korea and Taiwan: Untamed Tigers**

Serving Business and Society Since 1916

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	-1	0	0	-3	-1	2	Recession stopped	Sept.
Ten countries (U.S. excl.)	3	2	3	1	-2	-3	-1	Expansion continuing, leaders weak	Sept.
North America (2)	3	-7	-4	-1	-5	1	4	Recovery underway	Sept.
Europe (4)	2	3	3	1	1	2	2	Expansion continuing	Sept.
Pacific Region (5)	4	2	3	2	-4	-8	-4	Expansion continuing, leaders weak	Sept.
United States	3	-6	-3	-1	-3	3	6	Recovery underway	Oct.
Canada	3	-6	-2	0	-7	-1	4	Recession ending, leaders improving	Sept.
West Germany	2	6	6	2	4	1	2	Expansion continuing	Sept.
France	2	4	4	3	2	5	2	Expansion continuing	Aug./Sept.
United Kingdom	2	-3	-4	-3	-3	-1	0	Recession ending, leaders improving	Sept.
Italy	2	4	0	6	-2	1	2	Expansion continuing	July/Aug.
Japan	4	3	4	3	-5	-10	-6	Expansion slowing, leaders weak	Sept.
Korea, R.O.K.	7	12	7	6	5	7	14	Expansion continuing	Oct.
Australia	3	-12	-10	-7	-2	1	1	Recession ending, leaders improving	Oct.
New Zealand	2	-2	-2	-2	-4	-3	3	Recession continuing, leaders improving	Sept.
Taiwan, R.O.C.	8	5	5	6	8	8	7	Expansion continuing	Oct.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Becalmed

The global business cycle is pretty much inert at the moment, balanced quite evenly between the forces of expansion and the forces of recession. This holds true both for the 11-nation performance index and for the leading index, although on close inspection the latter has a very slight upward tilt.

Similarly, the world's three major regions and most of the nations report nearly flat economic measures. North America shows a modest recovery pattern, Europe is nearly flat, and the Pacific region (reflecting, as always the dominance of Japan) reports a continued slow rise in its performance index and a sharp cyclical downswing in its leading index.

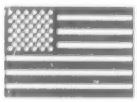
Other than Japan, the only two countries exhibiting any business cycle excitement are Korea and Taiwan (see p.5). The countries that are falling short of expectations are those that experienced recessions in 1990-91 (the English-speaking world, by and large). It would have been reasonable by now to see these countries showing some rebound vigor. Not so. It's true that in the U.S., Canada and the U.K., the recession bottom appears to have been reached and that it appears to be close in Australia and New Zealand, but no evidence of any zip in the recovery has appeared.

The inflation picture in the industrial world continues to look favorable. The 11-country rate declined to 3.0 percent in October, down from 4.1 percent six months ago. Nine of the eleven countries recorded improvement over the latest half-year. The exceptions are West Germany, up from a 2.6 percent rate last April to 4.5 percent in October (which is why the Bundesbank is raising interest rates), and Taiwan, up from 2.5 percent to 3.1 percent. Only one country (Korea) has a rate in excess of 8 percent, while two countries (New Zealand and Australia) show inflation rates below 2 percent.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	4.1	3.7	3.0	Falling	Oct.
Ten countries (U.S. excl.)	5.2	4.1	4.1	3.4	Falling	Oct.
North America (2)	5.6	4.2	3.3	2.6	Falling	Oct.
Europe (4)	6.6	4.2	4.7	4.1	Falling	Oct.
Pacific Region (5)	3.4	3.6	2.9	2.6	Falling	Oct.
United States	5.5	3.8	3.0	3.1	Volatile	Nov.
Canada	5.5	6.7	4.8	2.4	Falling	Oct.
West Germany	2.9	2.6	5.1	4.5	Volatile	Oct.
France	7.3	3.0	2.9	2.6	Falling	Sept.
United Kingdom	7.3	5.3	4.9	3.7	Falling	Oct.
Italy	11.2	6.7	6.4	5.6	Falling	Oct.
Japan	2.5	3.3	2.5	2.3	Falling	Oct.
Korea, R.O.K.	8.1	10.2	8.5	8.5	High but Falling	Oct.
Australia	8.4	4.4	2.4	1.8	Low and Falling	Aug.
New Zealand	11.8	3.9	2.1	1.4	Low and Falling	Aug.
Taiwan, R.O.C.	4.4	2.5	4.9	3.1	Volatile	Oct.

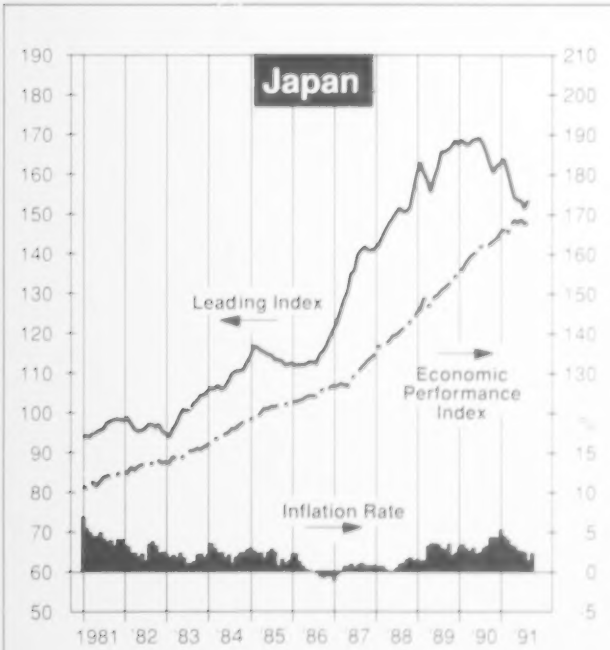
* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.



Rising Leaders, Gloomy Sentiment

The current 6 percent growth rate shown on the summary table for the U.S. leading index will strike most readers as a more optimistic reading than recent economic developments warrant. The recent developments that get most public attention, however, are those shown by production, sales, income and employment, which are not leading indicators and have not recovered much of what they lost during the recession. The leaders have recovered nearly all their losses, and point to a similar future development in the performance measures.

General public sentiment about the recovery, however, does not reflect the improvement seen in the leaders; in fact, public attitudes seem gloomier than ever. In part this is consistent with the very limited recovery to be seen in the U.S. performance index. Historically, during the early recovery stage of the business cycle, the economic performance index has often rebounded less vigorously than the leading index, but in this recovery the difference seems greater than usual. Looking ahead, the leading index points to at least a slow continuation of the cyclical upswing.



Sour Cycle

Cyclical weakness persists in Japan. The performance index has been flat for five months now. At last report the leading index recouped its previous month's loss, but the overall picture still looks very negative. The slump has been widespread among the component series, especially overtime hours, housing starts, materials prices, and business failures.

Like the United States, surveys of Japanese consumers are registering a substantial decline in confidence. Also like the U.S., the gloomy attitudes can be traced in part to problems in the financial markets. The big question remaining about the Japanese business cycle is whether it will be limited to an extended period of no growth or whether it will involve an absolute decline in output.

The Japanese inflation rate ticked back up above the two percent mark. Nonetheless, the inflation story, and prospects for inflation in the year ahead, appear quite favorable.

Untempered Tigers

Korea and Taiwan are the only two nations among the eleven in this report that are clearly riding the crest of a strong cyclical upswing. Both countries experienced a growth-slowdown in 1990--barely noticeable in Korea, more pronounced in Taiwan--but since then have resumed their customary rapid pace of advance.

At latest report both economies are growing at six percent, and the positive signals emanating from their leading indexes--Taiwan's is rising at a 7 percent pace, and Korea's at a startlingly strong 14 percent--bode well for vigorous growth again in 1992.

One major difference in the current economic fortunes of the two countries is inflation. Korea has the highest rate--8.5 percent--of any of our eleven nations, whereas Taiwan's inflation rate is at a moderate 3.1 percent. In both cases, despite the rapid economic growth taking place, the inflation rate has been fairly stable over the course of 1991 with a slight tendency toward deceleration.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	136	139	142	140	129	136	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	132	125	162	168
July	90	138	140	144	140	129	138	132	126	164	168
Aug.	90	138	140	144	140	129	138	133	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	133	133	125	164	161
Dec.	90	136	136	145	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	166	163
Feb.	91	136	137	146	138	123	132	134	126	167	164
Mar.	91	136	136	145	138	122	132	135	126	166	161
Apr.	91	136	136	146	37	123	133	134	126	167	158
May	91	137	136	146	136	123	134	134	126	169	156
June	91	137	137	147	136	123	135	135	127	168	155
July	91	137	138	147	137	124	137	136	127	168	156
Aug.	91	137	138	147	136	124	137	135	127	168	154
Sept.	91	137	138	147	137	124	137	135	127	168	156
		Growth Rates, Percent									
		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
		4	0	6	2	0	-2	6	2	8	3
		4	1	6	2	1	-1	6	2	8	3
		4	1	6	2	1	0	6	2	7	2
		4	1	6	2	0	0	6	2	7	2
		3	1	5	1	0	0	5	2	6	0
		2	-1	4	-1	-1	-1	4	1	4	-2
		2	-2	4	-2	-2	-3	4	1	4	-5
		1	-4	3	-3	-4	-5	4	0	4	-6
		0	-4	3	-2	-5	-6	3	0	4	-4
		0	-3	4	-2	-6	-6	4	0	5	-3
		0	-2	3	-1	-7	-5	3	1	5	-2
		-1	-3	2	2	-7	-5	3	1	2	-4
		-1	-2	3	-2	-6	-3	2	2	4	-7
		0	-2	3	-3	-5	-1	2	1	5	-8
		0	-1	3	-3	-4	1	3	2	3	-8
		1	0	3	-2	-2	3	3	2	3	-7
		0	0	2	-2	-2	4	1	2	2	-8
		0	2	1	-1	-1	4	1	2	2	-4
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	128	139	134	119	128	131	148	132	129	117	120	117	162	169	237	226	149	124	113	115	192	234
Aug.	90	128	140	134	119	129	132	148	132	129	117	120	116	162	168	238	226	147	124	113	114	192	232
Sept.	90	128	139	133	118	129	132	148	130	129	117	120	114	162	165	238	234	145	124	113	114	193	230
Oct.	90	127	137	132	118	130	133	149	130	128	116	119	115	163	163	237	223	144	123	114	114	195	229
Nov.	90	126	135	131	116	130	133	149	130	128	115	120	114	164	160	237	233	141	123	114	114	195	236
Dec.	90	124	134	130	115	131	134	150	129	127	114	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	134	128	114	133	134	151	130	126	114	122	114	166	163	248	234	143	122	113	113	197	239
Feb.	91	122	134	128	112	133	135	151	131	126	114	122	115	166	164	249	227	141	122	112	112	201	239
Mar.	91	122	134	128	113	134	135	151	132	126	114	122	115	165	161	249	230	138	122	112	112	199	243
Apr.	91	122	135	129	114	134	134	152	133	124	115	120	116	167	158	255	234	135	122	112	112	199	246
May	91	122	136	129	115	134	133	152	134	124	115	122	116	169	154	253	236	136	123	112	112	202	249
June	91	122	137	129	116	135	134	152	135	124	115	124	116	168	154	251	229	137	122	112	112	202	253
July	91	123	139	130	116	135	134	153	135	124	116	125	116	169	153	254	239	133	124	112	113	202	249
Aug.	91	123	139	129	117	134	134	153	134	123	115		116	168	152	257	244	137	124	112	112	202	251
Sept.	91	123	139	130	117	134	135		134	124	115			168	154	255	243	133	123	112	115	203	252
Oct.	91	123	140													256	251	133	124			205	253
		Growth Rates, Percent																					
July	90	1	0	0	-5	8	4	8	5	2	-1	4	-1	9	2	8	2	-2	-5	2	-3	-1	-1
Aug.	90	0	0	-1	-3	8	4	7	3	1	-2	4	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	-1	-1	-2	-4	6	4	6	1	1	-1	2	-5	6	-2	6	8	-5	-4	0	-3	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	2	-3	6	-6	4	-2	-7	-5	1	-2	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-4	2	-3	1	0
Dec.	90	-5	5	-5	-7	5	4	5	1	-2	-4	3	-3	5	-5	6	4	-7	-5	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	6	0	-3	-5	4	-3	6	-4	10	5	-6	-5	-1	-3	4	2
Feb.	91	-7	-4	-7	-9	7	5	4	1	-3	-5	3	-2	6	-2	9	-1	-8	-3	-2	-4	7	2
Mar.	91	-7	-5	-6	-7	6	4	4	2	-3	-3	3	-1	3	-5	8	1	-10	-3	-2	-4	5	6
Apr.	91	-6	-3	-4	-5	6	2	4	4	-5	-2	0	1	6	-8	12	5	-12	-2	-1	-2	5	8
May	91	-5	-1	-3	-2	5	1	4	4	-5	-1	3	1	6	-11	8	5	-10	0	-1	-3	6	10
June	91	-4	1	-2	1	6	1	3	5	-4	-1	6	1	4	-10	6	0	-7	-1	-2	-3	6	12
July	91	-3	3	-1	1	5	0	4	5	-4	1	6	2	5	-9	7	7	-10	1	-1	-1	5	8
Aug.	91	-2	4	-1	2	2	1	3	4	-4	-1		2	3	-10	9	10	-4	2	-2	-1	4	9
Sept.	91	-1	5	0	4	2	2		2	-3	0			3	-6	6	8	-8	1	-2	3	4	8
Oct.	91	-1	6													6	14	7	1			6	7
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

R4052

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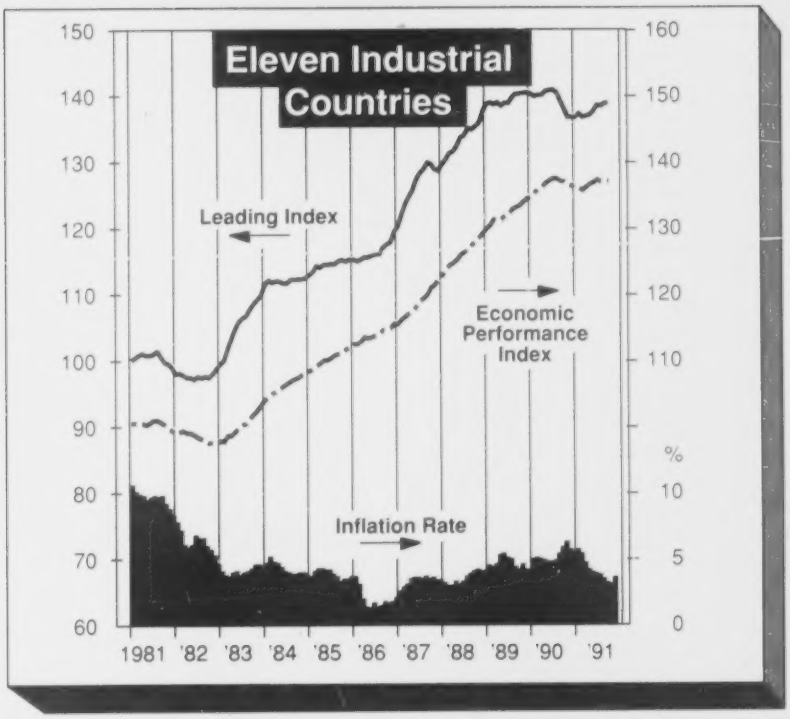
Volume 14, Number 1 January 1992

International Economic Scoreboard™

INSIDE:

- **Global Business Cycle in Neutral Gear**
- **Big Three Out of Phase**
  - **U.S. Recovery Slowing**
  - **Japan in Recession**
  - **West German Outlook Ambivalent**
- **Inflation Picture Encouraging**
  - **Germany a Prominent Exception**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	-1	1	1	-2	-1	2	Recovery stalled	Oct.
Ten countries (U.S. excl.)	3	3	3	2	-2	-2	-1	Expansion continuing, leaders weak	Oct.
North America (2)	3	-6	-2	-1	-3	4	6	Recovery underway	Oct.
Europe (4)	2	2	2	2	2	2	2	Expansion slowing	Oct.
Pacific Region (5)	4	4	4	3	-6	-7	-6	Expansion continuing, leaders weak	Oct.
United States	3	-5	-2	-2	-1	5	6	Recovery underway	Nov.
Canada	3	-4	-1	0	-5	1	4	Recovery underway	Oct.
West Germany	2	6	4	1	2	0	0	Expansion slowing, leaders weak	Oct.
France	2	3	4	3	4	5	1	Expansion continuing, leaders weak	Oct./Nov.
United Kingdom	2	-5	-4	-2	-2	0	0	Recession continuing	Oct.
Italy	2	4	0	6	-2	1	2	Expansion continuing	July/Aug.
Japan	4	6	6	3	-8	-9	-8	Expansion slowing, leaders weak	Oct.
Korea, R.O.K.	7	12	7	6	5	7	14	Expansion continuing	Oct.
Australia	3	-10	-4	-8	0	0	-2	Recession continuing, leaders weak	Nov.
New Zealand	2	-2	-1	0	-2	-1	4	Recession continuing, leaders improving	Oct.
Taiwan, R.O.C.	8	6	4	7	10	9	8	Expansion continuing	Nov.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Neutral Gear

The world business cycle seems pretty much stuck in neutral gear at the moment. Both indexes (chart at left) leveled off after July, although the leading index gives just the slightest hint of an uptilt.

In those countries that lived through a full-fledged recession in 1990-91—the U.S., Canada, U.K., and Australia—the consensus forecast calls for an expansion of economic activity in 1992. In all four, monetary policy has turned stimulative and nominal interest rates have come down sharply, especially short rates. In the U.S. and Canada, this forecast is at least partially confirmed by the leading indexes, but not so in the U.K and Australia.

Elsewhere prospects are mixed. Japan's leading index looks the most pessimistic. Germany's outlook is the most ambivalent.

The inflation picture, shown in detail on the next page, is both clearer and more encouraging. In November, the 11-country inflation rate accelerated by a half-percentage point from October, reflecting an increase in the rates for all eight countries for which November data are currently available.

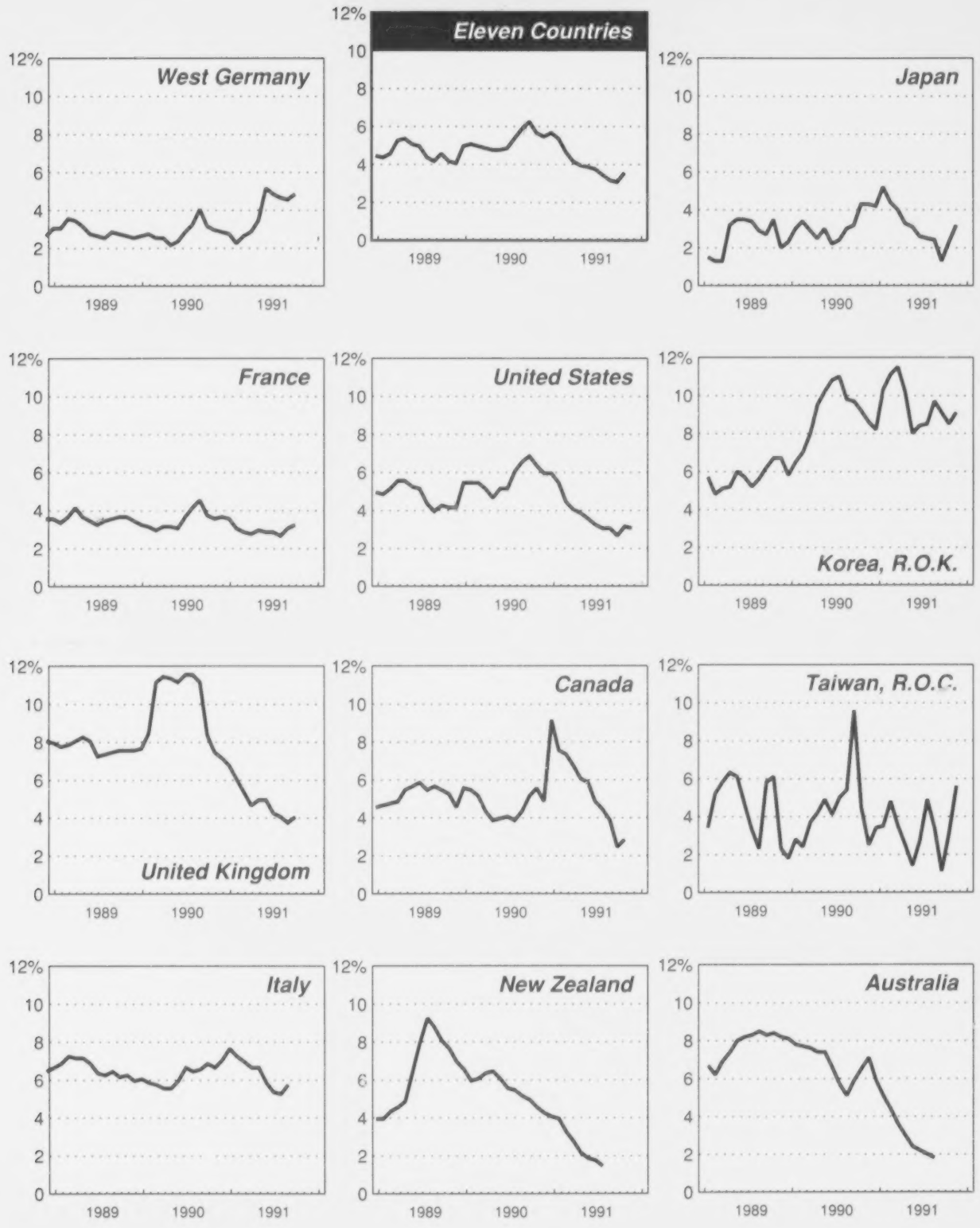
Nevertheless, the general pattern of the past 3 years is fairly uniform throughout the industrial world. Inflation accelerated in late 1990 and then reversed itself in 1991. The upswing in 1990 reflected the booming economy and the surge in oil prices at the beginning of the Gulf War. The improvement this past year reflected the usual anti-inflation impact of the global recession reinforced by falling oil prices. The prominent exception is Germany, where reunification of the country brought with it an acceleration of inflation in 1991.

Summary of Inflation Rates, Eleven Industrial Countries

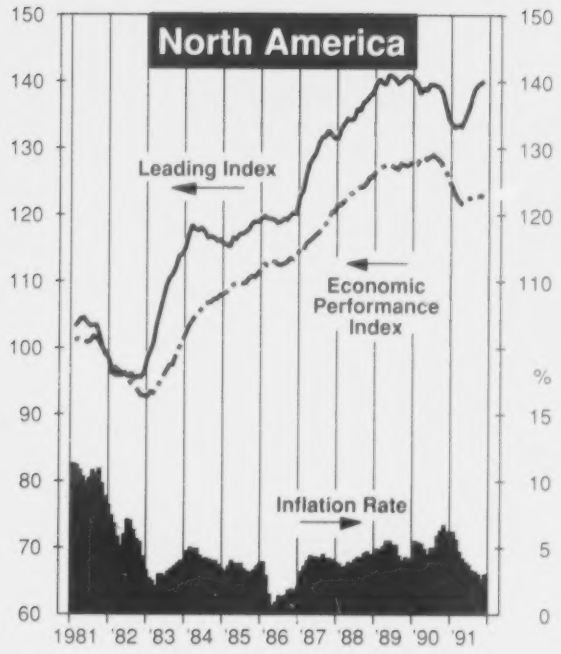
	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.9	3.4	3.5	Volatile	Nov.
Ten countries (U.S. excl.)	5.2	3.9	3.7	3.9	Steady	Nov.
North America (2)	5.6	3.9	3.2	3.0	Falling	Nov.
Europe (4)	6.6	4.1	4.4	4.4	Steady	Nov.
Pacific Region (5)	3.4	3.2	2.8	3.4	Rising	Nov.
United States	5.5	3.5	3.0	3.0	Falling	Dec.
Canada	6.5	6.0	4.4	2.8	Falling	Nov.
West Germany	2.9	2.8	4.8	4.8	Rising	Nov.
France	7.3	2.7	2.8	3.2	Rising	Nov.
United Kingdom	7.3	4.6	4.2	4.0	Falling	Nov.
Italy	11.2	6.7	6.4	5.6	Falling	Oct.
Japan	2.5	3.1	2.4	3.2	Rising	Nov.
Korea, R.O.K.	8.1	8.0	9.7	9.1	High and Volatile	Nov.
Australia	8.4	4.4	2.4	1.8	Low and Falling	Aug.
New Zealand	11.8	3.9	2.1	1.4	Low and Falling	Aug.
Taiwan, R.O.C.	4.4	1.4	3.4	5.6	Rising	Nov.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Taming the Inflation Tiger



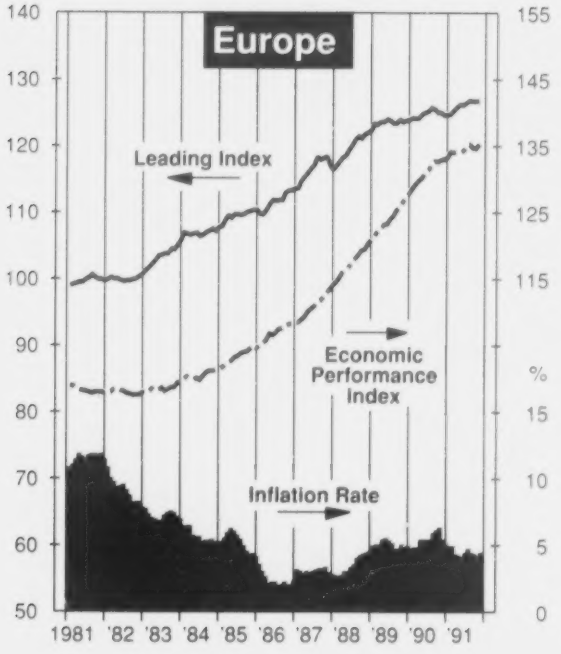
Regions

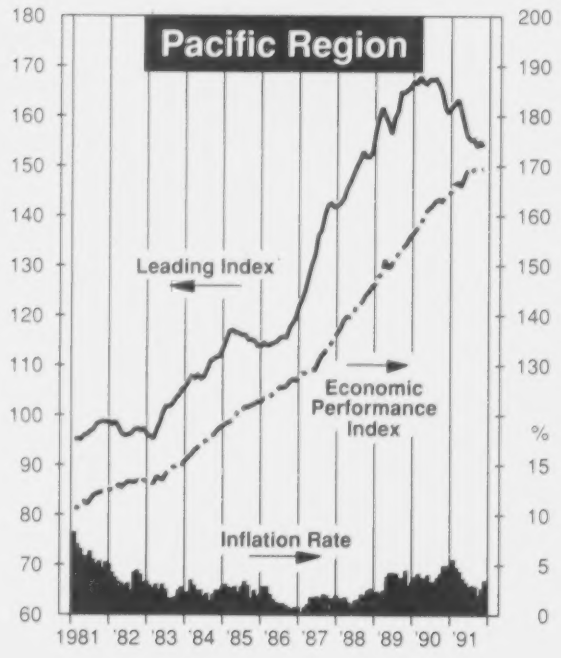


Mixed Pattern

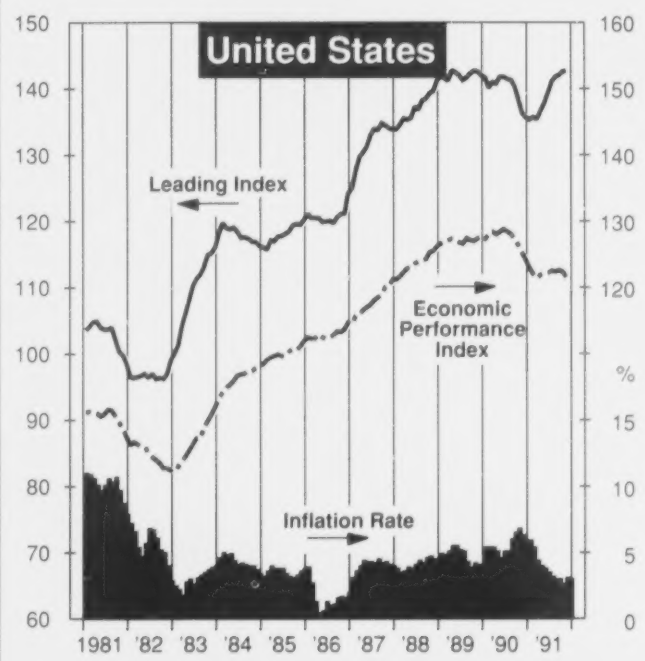
None of the regions shows a very pronounced business cycle movement in recent months. The leading indexes for North America and the Pacific Region, however, are telling us that at least some movement is due in the months ahead—an upswing in North America, and a downturn in the Pacific Region. The latter, of course, is dominated by Japan, and should not be read as being representative of the other four countries we report in that part of the world.

Over the past 6 months, inflation rates have not moved sharply in any region. Europe's rate is unchanged over the period, but the highest of the three regions. The best record is in North America, where inflation has slowed to 3.0 percent.





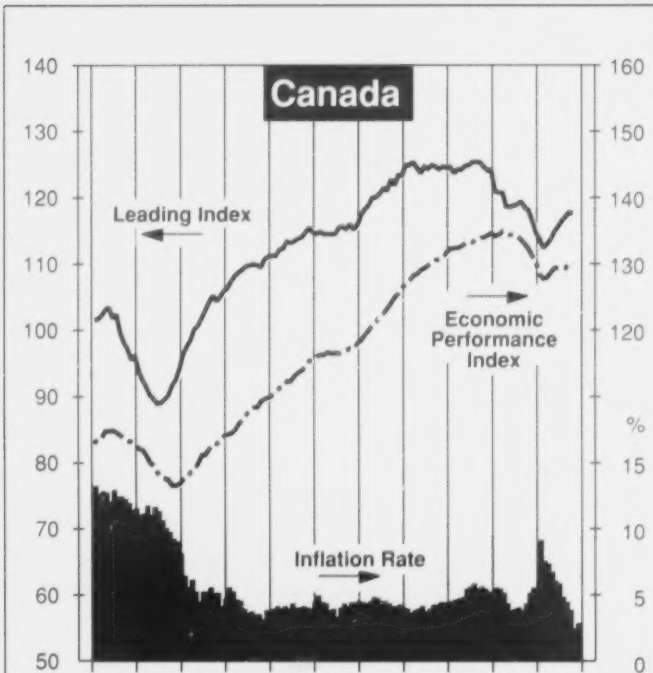
Countries



Recovery Stalled But Not Stopped

According to the performance index, the U.S. recession hit bottom in March of 1991, but since then no rebound of any magnitude has taken place. The leading index by contrast, has snapped back, sharply at first, gradually of late, recovering all of its loss during the recession. Unless the economy is in an altogether different place than in the past, the upswing in the leading index tells us the stalled economic recovery is temporary.

The inflation chart provides some happy reading. The rate is down from 5.9 percent a year ago to 3.0 percent at the end of 1991.

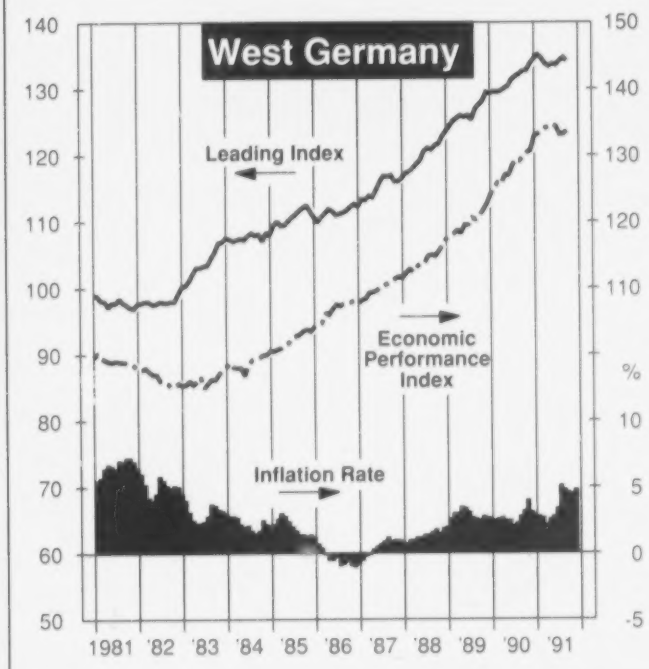


Another Slow Recovery

Both Canadian cyclical indexes show a pattern that is similar to their U.S. counterparts, with a more noticeable recovery in the leading index than the performance measure.

Two major differences between the neighboring countries are the unemployment rate, which is some 3 percentage points higher in Canada than in the United States, and the stock market, which in Canada advanced only about one-third as much over the course of 1991 as in the States.

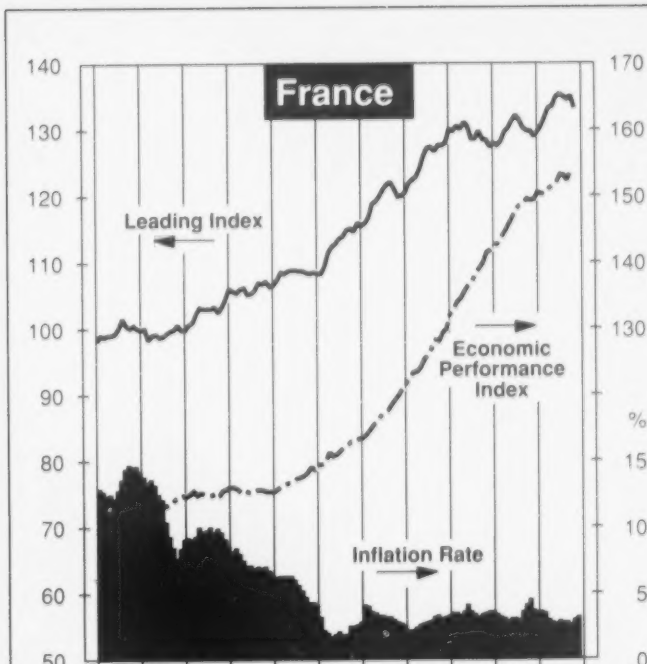
One major similarity is the rate of inflation: In both countries the rate has been coming down and has reached a modest level—2.8 percent in Canada, just fractionally lower than in the U.S. Except for Australia and New Zealand, the Canadian rate is the lowest in our group of countries.



Ambivalent Signals

The West German indexes are giving ambivalent signals about the direction of the business cycle. The general impression from these series is that the economy is dead in the water. Most forecasters expect growth to slow but remain positive. The stock market, which has been declining fairly steadily since mid-year, is more pessimistic than that. Quite possibly it is reflecting the country's high interest rates.

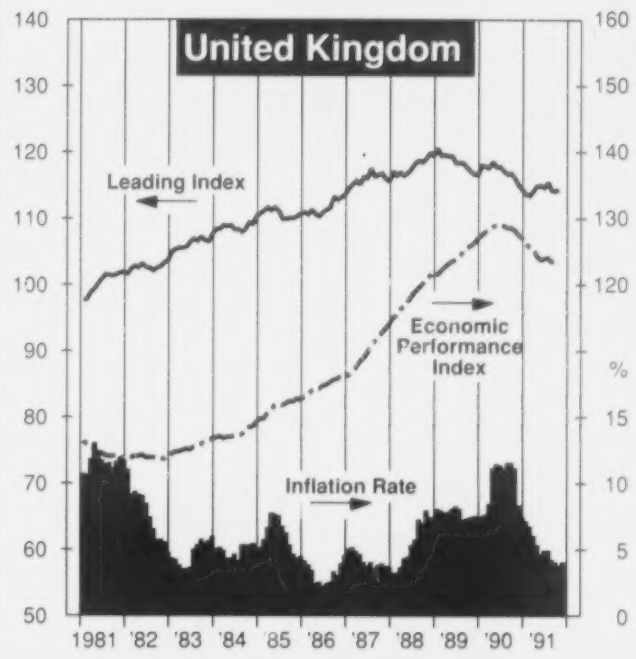
The level of interest rates reflects, in turn, last year's acceleration of inflation in this most inflation-phobic of nations. At 4.8 percent, Germany's inflation rate is exceeded only in Italy, Taiwan and Korea.



More Mixed Signals

The French business cycle indexes are beginning to look a little ambivalent too. The Performance Index is still rising at a respectable clip, despite a bad trend in unemployment, which climbed to 9.7 percent in October. But the leading index is down modestly since July, because residential building permits, new unemployment claims, materials prices, and the stock market have all weakened.

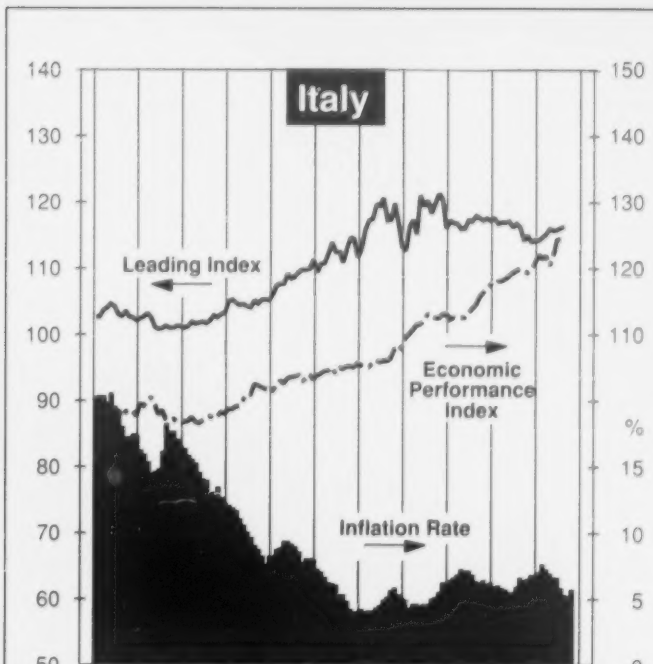
The inflation rate, most recently reported at 3.2 percent, accelerated just a bit this past fall.



Uncertainties About Recovery

The U.K. economy continues in recession. What in the spring had looked like a nascent recovery has given way—despite rising stock prices—to renewed pessimism and further increases in unemployment. Most forecasters project recovery in 1992, but at a very gradual pace.

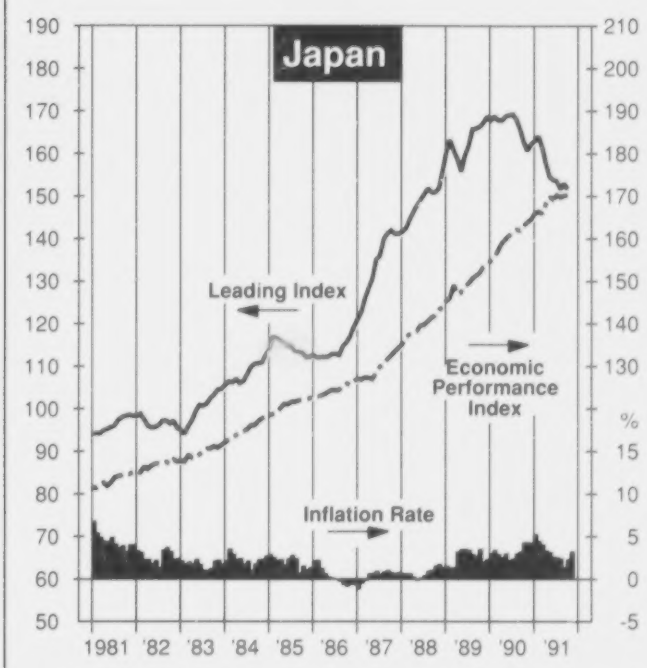
Other than the stock market, one modest consolation is the slowing of inflation, down to 4.0 percent at last count.



Expansion Continues

The Italian indexes (both of which are a couple of months out of date, as usual) point toward a continuation of the gradual cyclical upswing.

Although Italy's inflation has been slowing this past year, as it has almost everywhere, the 5.7 percent rate remains the highest in Europe, and second only to Korea among the 11 nations in this report.

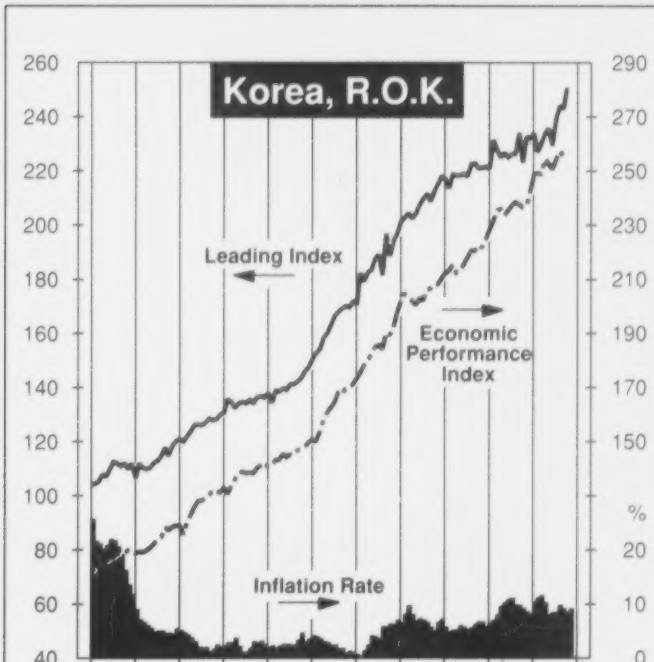


Recession or Close

Japan is in recession, or the next thing to it. The Performance Index has not actually declined, but its flat trend since May is a recession by Japanese standards.

Furthermore, despite an easing of monetary policy and plans for an expansion of public works spending, hope for a quick return to expansion seems quite limited. Persistent weakness in overtime hours, housing starts, stock prices, and profit margins have pushed the October leading index to a new low for this cycle.

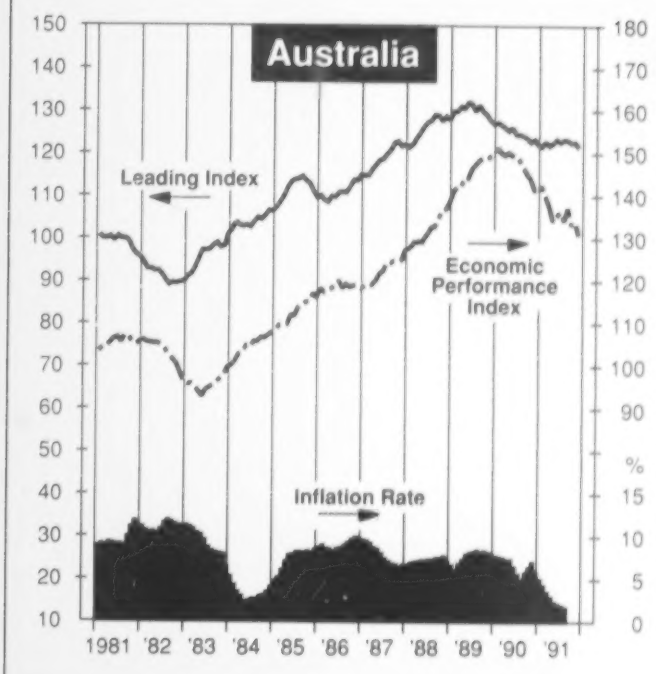
Japan's inflation continues at a moderate pace—3.2 percent as of November.



Gangbusters

The Korean business cycle is still going gangbusters. True, the Performance Index leveled off these latest two months, but that probably should be ignored as just another temporary erratic fluctuation in the series, and especially so when the leading index is advancing so powerfully.

The country's inflation has been fairly steady this summer and fall, but at a high rate—9.1 percent as of November. Indeed this is the highest rate by a wide margin of any country in this report and two and a half times the 11-nation average.

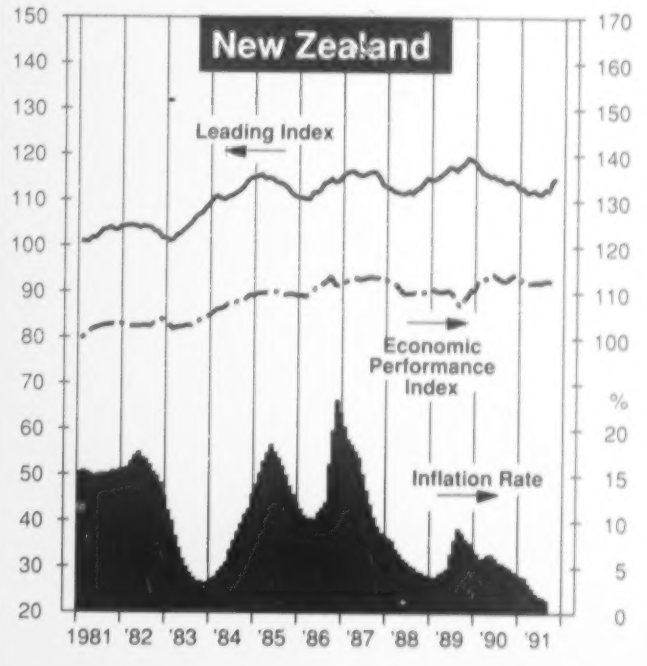


No Recovery Yet

Australia was the first country into recession in 1990 and hasn't got out of it yet. Factory production, employment and unemployment all deteriorated further this past November.

Furthermore, the recovery signals that appeared earlier in 1991 have faltered. Interest rates are down to their lowest levels in a decade. Recovery from the recession is the consensus forecast, but the sagging leading index shows no sign of it yet.

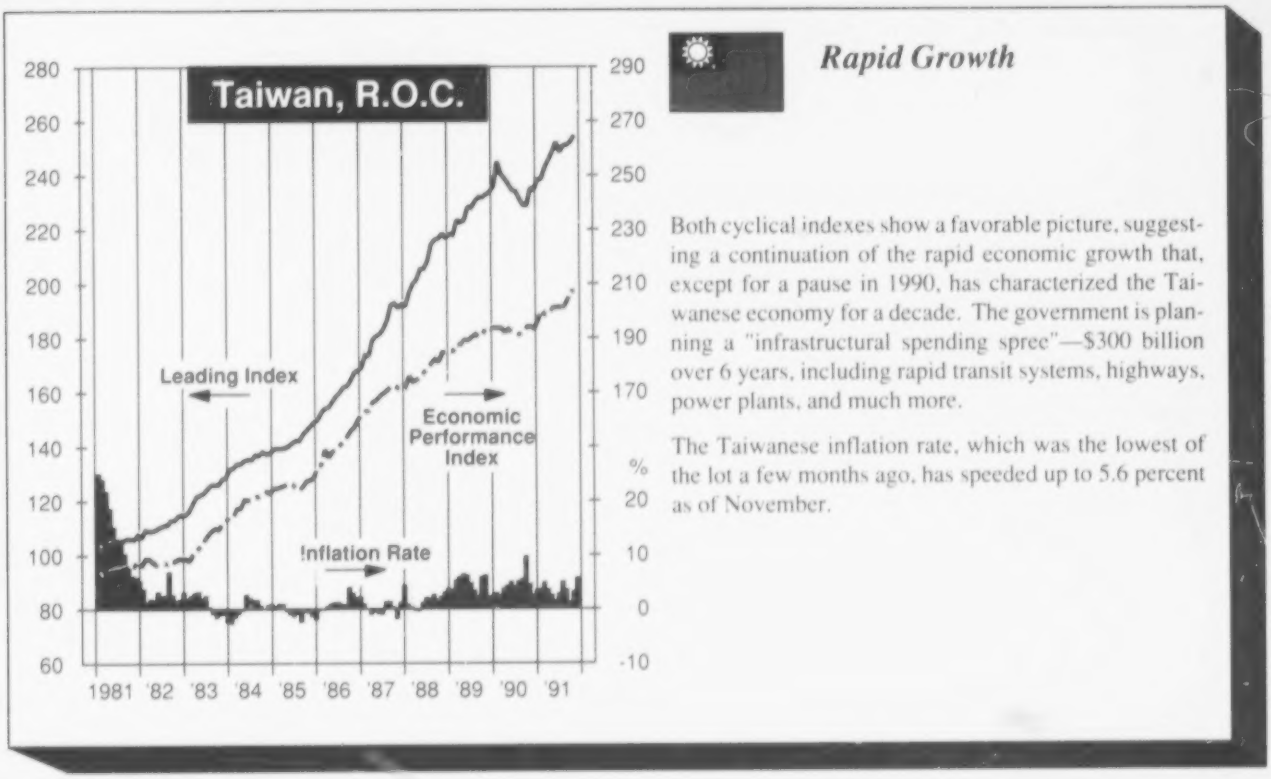
The inflation rate, at latest report below 2 percent, is low and falling.



Modest Signs of Life

The Kiwi business cycle has been sluggish for several years now, not in recession but not in a recovery phase either. Unlike their neighbors across the Tasman Sea, however, New Zealand's leading index has shown some modest signs of life over the summer and early fall months.

Inflation continues to decelerate. At 1.4 percent the rate is the lowest of the 11 countries.



Rapid Growth

Both cyclical indexes show a favorable picture, suggesting a continuation of the rapid economic growth that, except for a pause in 1990, has characterized the Taiwanese economy for a decade. The government is planning a "infrastructural spending spree"—$300 billion over 6 years, including rapid transit systems, highways, power plants, and much more.

The Taiwanese inflation rate, which was the lowest of the lot a few months ago, has speeded up to 5.6 percent as of November.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: Derrick Willman, Editor
For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	138	141	144	140	129	140	132	126	163	168
Aug.	90	138	140	144	140	128	139	133	126	164	167
Sept.	90	137	140	144	139	128	138	133	125	163	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	137	144	137	126	134	133	125	164	161
Dec.	90	136	137	145	138	124	134	133	125	165	162
Jan.	91	136	137	146	138	123	133	134	125	167	163
Feb.	91	136	137	146	138	122	134	134	126	167	164
Mar.	91	136	137	145	138	122	133	134	126	166	161
Apr.	91	136	137	146	137	122	134	134	126	168	159
May	91	137	137	147	136	123	136	134	126	169	156
June	91	137	138	147	136	123	137	135	127	169	156
July	91	137	139	147	137	123	139	135	127	170	156
Aug.	91	137	138	147	136	123	140	135	127	170	154
Sept.	91	137	139	147	137	123	140	135	127	170	155
Oct.	91	137	139	148	136	123	140	136	127	170	154
		Growth Rates, Percent									
July	90	4	1	6	2	1	0	6	2	7	2
Aug.	90	4	0	6	1	0	-1	6	2	6	0
Sept.	90	2	-1	4	-1	-1	-2	5	1	5	-2
Oct.	90	2	-3	4	-2	-2	-4	4	1	5	-5
Nov.	90	1	-4	3	-3	-4	-6	4	0	4	-6
Dec.	90	0	-4	3	-2	-5	-6	3	0	4	-4
Jan.	91	0	-4	4	-2	-6	-6	4	0	5	-3
Feb.	91	-1	-3	3	-1	-7	-5	3	1	5	-2
Mar.	91	-1	-3	2	-2	-7	-5	3	1	3	-4
Apr.	91	-1	-2	3	-2	-6	-3	2	2	4	-6
May	91	0	-2	3	-3	-5	-1	2	1	5	-8
June	91	0	-1	3	-3	-4	2	2	2	4	-8
July	91	1	1	3	-2	-2	4	2	2	4	-7
Aug.	91	0	1	2	-2	-2	5	1	2	4	-8
Sept.	91	1	2	2	-1	-1	6	1	2	3	-5
Oct.	91	1	2	2	-1	-1	6	2	2	3	-6
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	128	141	134	119	128	131	148	132	129	117	120	117	161	169	237	226	149	125	113	115	192	234
Aug.	90	128	141	134	119	129	132	149	132	129	117	120	116	162	168	238	226	147	124	113	114	192	232
Sept.	90	127	140	133	118	129	132	149	130	129	117	120	114	162	165	238	234	145	124	113	114	193	230
Oct.	90	126	138	132	118	130	133	150	130	128	116	119	115	163	163	237	223	144	123	114	114	195	229
Nov.	90	125	136	131	116	130	133	149	130	128	115	120	114	164	160	237	233	142	124	114	114	195	236
Dec.	90	124	136	130	115	131	134	150	129	127	114	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	135	128	114	133	134	151	130	126	114	122	114	166	163	248	234	142	122	113	113	197	239
Feb.	91	122	136	128	112	133	135	150	131	126	114	122	115	166	164	249	227	140	123	112	112	201	239
Mar.	91	121	135	128	113	134	135	150	132	126	114	122	115	166	161	249	230	138	122	112	112	199	243
Apr.	91	122	136	129	114	134	134	151	133	124	115	120	116	168	158	255	234	134	123	112	112	199	246
May	91	122	138	129	115	134	133	152	134	124	115	122	116	170	154	253	236	136	124	112	112	202	249
June	91	122	139	129	116	135	134	152	135	124	115	124	116	169	154	251	229	137	123	112	112	202	253
July	91	122	141	130	116	134	134	153	135	124	116	125	116	170	153	254	239	134	124	113	113	202	249
Aug.	91	122	142	129	117	133	134	153	135	124	114		116	170	152	257	244	138	123	113	112	202	251
Sept.	91	122	142	130	118	133	135	152	135	124	114			170	153	255	243	134	123	112	115	204	252
Oct.	91	122	142	130	118	134	134	154	135	124	114			170	151	256	251	134	123		115	208	253
Nov.	91	121	143						133									131	122			208	255
		Growth Rates, Percent																					
July	90	1	0	0	-5	8	4	8	5	2	-1	4	-1	8	2	8	2	-2	-4	2	-3	-1	-1
Aug.	90	0	0	-1	-3	8	4	8	3	1	-2	4	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	-1	-2	-2	-4	6	4	7	1	1	-1	2	-5	6	-2	6	8	-5	-4	0	-3	0	-5
Oct.	90	-2	-4	-2	-4	6	4	7	0	0	-2	2	-3	6	-6	4	-2	-6	-5	1	-2	2	-5
Nov.	90	-4	-6	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-3	2	-3	1	0
Dec.	90	-5	-6	-5	-7	5	4	4	-1	-2	-4	3	-3	6	-5	6	4	-8	-4	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	6	0	-3	-5	4	-3	6	-4	10	5	-6	-4	-1	-3	4	2
Feb.	91	-7	-5	-7	-9	7	5	4	1	-4	-5	3	-2	6	-2	9	-1	-8	-2	-2	-4	7	2
Mar.	91	-7	-5	-6	-7	7	4	3	2	-4	-3	3	-1	4	-5	8	1	-10	-3	-2	-4	5	6
Apr.	91	-6	-3	-4	-5	6	2	3	4	-5	-2	0	1	6	-8	12	5	-13	-2	-1	-2	5	8
May	91	-5	1	-3	-2	5	1	3	4	-5	-1	3	1	7	-11	8	5	-10	0	-1	-3	6	10
June	91	-4	2	-2	-1	5	1	3	5	-4	-1	6	1	5	-10	6	0	-7	-1	-1	-3	6	12
July	91	-3	4	-1	1	4	0	4	6	-4	0	6	2	6	-9	7	7	-9	0	0	-1	5	8
Aug.	91	-2	5	-1	2	1	1	3	5	-4	-1		2	4	-10	9	10	-4	0	0	-1	4	9
Sept.	91	-1	6	0	4	1	1	2	4	-3	-1			4	-7	6	8	-7	0	0	3	6	8
Oct.	91	-1	6	0	4	1	0	3	4	-2	0			3	-8	6	14	-5	0		4	8	7
Nov.	91	-2	6						1									-8	-2			7	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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Volume 14, Number 2 February 1992

International Economic Scoreboard™

INSIDE:

- **A Dull and Dreary Global Business Cycle**
- **Consumer Anxiety may Sap Strength from U.S. Recovery**
- **Japanese Cycle: Still an Ugly Picture**
- **Inflation Continues to Look Favorable**

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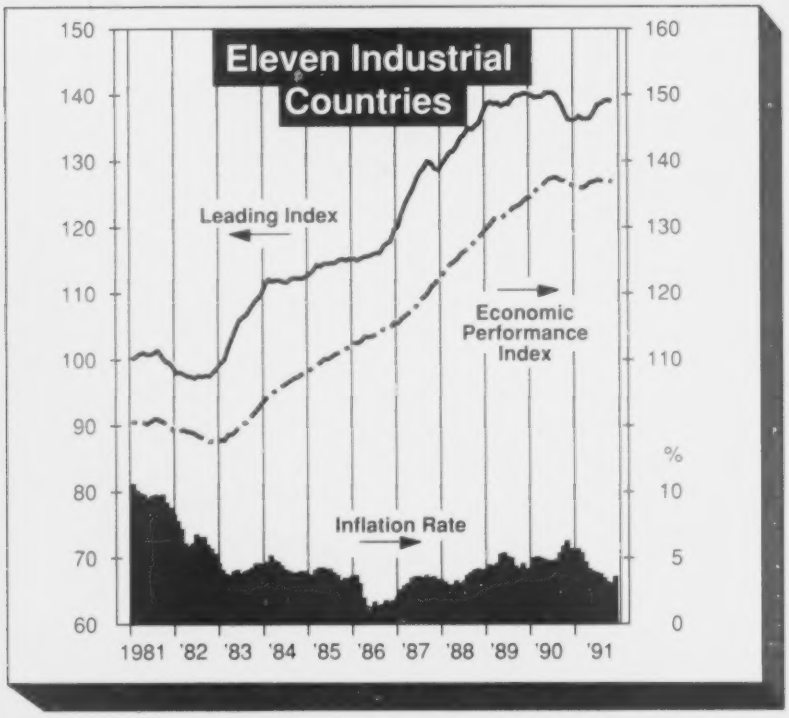
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	0	0	-2	2	2	Recovery stalled	Nov.
Ten countries (U.S. excl.)	3	3	2	1	-3	0	0	Expansion slowing, leaders weak	Nov.
North America (2)	3	-4	-2	-1	-1	6	6	Recovery underway	Nov.
Europe (4)	2	2	1	1	1	2	1	Expansion slowing, leaders weak	Nov.
Pacific Region (5)	4	6	4	2	-8	-4	-4	Expansion slowing, leaders weak	Nov.
United States	3	-4	-1	-1	2	6	4	Recovery underway	Dec.
Canada	3	-3	-1	0	-2	2	5	Recovery underway	Nov.
West Germany	2	5	1	1	1	1	2	Expansion slowing	Nov.
France	2	3	4	3	6	5	0	Expansion continuing, leaders weak	Nov./Dec.
United Kingdom	2	-5	-3	-1	0	1	1	Recession continuing, leaders weak	Nov.
Italy	2	0	2	-1	1	0	0	Expansion stopped, leaders weak	Oct./Nov.
Japan	4	7	4	3	-11	-6	-5	Expansion slowing, leaders weak	Nov.
Korea, R.O.K.	7	9	8	4	5	8	7	Expansion continuing	Nov.
Australia	3	-7	-7	-4	-1	0	2	Recession continuing	Dec.
New Zealand	2	-2	-2	-1	-3	1	6	Recession continuing, leaders improving	Nov.
Taiwan, R.O.C.	8	6	6	7	12	8	7	Expansion continuing	Dec.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Dreary Economic Winter

The global business cycle, according to the 11-country composite indexes (left-hand page), again makes dull reading. Both indexes have been moving sideways lately, the performance index pancake flat for six months now; the leading index still with just a hint of uptilt.

At first glance this dull, dreary picture for the 11-country aggregate would seem to be consistent with the patterns shown by the three largest economies, since the indexes for each of those have also been generally flat in recent months. But in fact, each of the big three is in a different stage of the business cycle. Japan is in recession, uncertain how deep and prolonged the slump will prove to be. The United States had its recession in 1990-91, but the movement since last spring has been so lacking in decisiveness that most Americans are unsure whether a cyclical recovery has started or, if so, when it will begin to gather momentum. Germany, by contrast, is still in the expansion phase of the cycle, with its indexes flattening out because the economy is close to full capacity and its policymakers concerned more about inflationary pressures than about recession.

The 11-country inflation rate at 3.3 percent still looks favorable, down from 3.8 percent in June and 5.6 percent at the beginning of 1991. Except for West Germany and Taiwan, every nation is now recording slower inflation than in January 1991. In New Zealand, the rate is down to a startling 0.2 percent!

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.8	3.1	3.3	Steady	Dec.
Ten countries (U.S. excl.)	5.2	3.8	3.3	3.6	Steady	Dec.
North America (2)	5.6	3.7	3.0	3.0	Falling	Dec.
Europe (4)	6.6	4.4	4.3	4.5	Steady	Dec.
Pacific Region (5)	3.4	2.8	1.9	2.9	Steady	Dec.
United States	5.5	3.5	3.0	3.0	Falling	Dec.
Canada	6.5	5.8	3.8	1.5	Low and Falling	Dec.
West Germany	2.9	3.4	4.6	4.4	Steady	Dec.
France	7.3	2.9	2.6	3.4	Steady	Dec.
United Kingdom	7.3	4.9	4.0	4.4	Steady	Dec.
Italy	11.2	6.4	5.6	6.1	Steady	Jan.
Japan	2.5	2.6	1.3	2.6	Steady	Dec.
Korea, R.O.K.	8.1	8.4	9.1	7.9	Falling	Dec.
Australia	8.4	2.4	1.8	2.0	Low and Steady	Nov.
New Zealand	11.8	2.1	1.4	0.2	Low and Falling	Nov.
Taiwan, R.O.C.	4.4	2.7	1.1	4.8	Rising	Dec.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

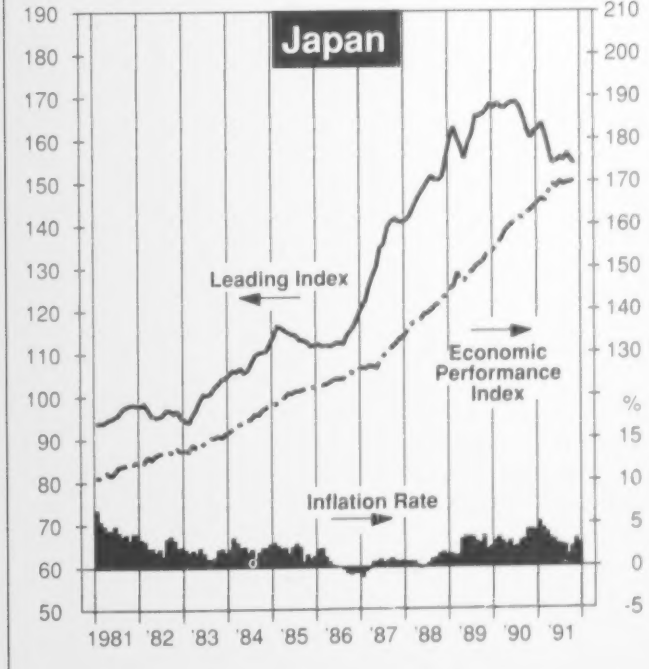
Countries

Sluggishness and Angst

The U.S. business cycle remains a source of great confusion. The general public thinks the recession is still on. Most economists say the recovery has begun, but agree that it has been very weak to date. In addition, they are not strongly confident the economy will gather upward momentum anytime soon.

The main barrier to a strengthening trend, probably, is the attitude of consumers, which is sour and, for reasons that are not at all clear, even somewhat fearful. This angst is not, however, shared by economic forecasters, financial executives and CFOs. The business people are not strongly optimistic to be sure, but their attitudes are more "we can live with this" rather than "fear of falling."

At latest report, the cyclical indexes signal additional sluggishness for early 1992. The most recent data, however, are slightly more encouraging. New housing permits and stock prices, in particular, started off the new year in chipper fashion. The inflation numbers are pointing in the right direction, too. Now if only general economic sentiment were a bit less vinegary!

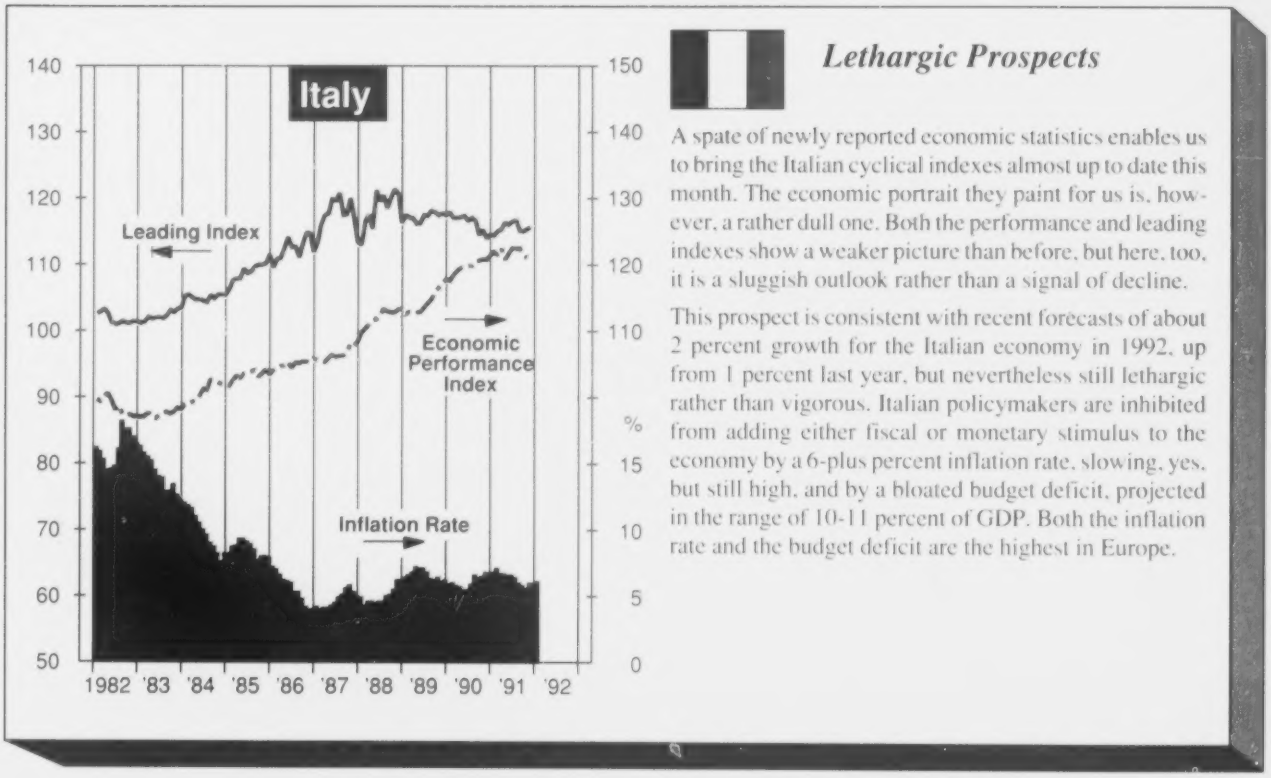


Unhappy Signals

The business cycle in Japan is still presenting an ugly picture. The performance index has been flat since midsummer, and if this isn't quite enough to qualify as a recession by American criteria, it does so easily by Japanese standards.

Thanks to data revisions, recent movements of the leading index look just a bit better now, but only in that this early warning series is sinking more gradually than appeared to be the case a month ago. Among the component indicators that make up the leading index, weakness is found in overtime hours, business failures and new orders. Corporate profits are also said to be falling sharply. As long as the headlines feature trade friction with the United States and scandals involving prominent politicians, it will be difficult to rebuild consumer and business confidence in Japan.

On the more favorable side, despite recent increases the level of unemployment is still low, interest rates have declined, substantial new public investment is in the works, and inflation remains moderate.



Lethargic Prospects

A spate of newly reported economic statistics enables us to bring the Italian cyclical indexes almost up to date this month. The economic portrait they paint for us is, however, a rather dull one. Both the performance and leading indexes show a weaker picture than before, but here, too, it is a sluggish outlook rather than a signal of decline.

This prospect is consistent with recent forecasts of about 2 percent growth for the Italian economy in 1992, up from 1 percent last year, but nevertheless still lethargic rather than vigorous. Italian policymakers are inhibited from adding either fiscal or monetary stimulus to the economy by a 6-plus percent inflation rate, slowing, yes, but still high, and by a bloated budget deficit, projected in the range of 10-11 percent of GDP. Both the inflation rate and the budget deficit are the highest in Europe.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

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INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	138	140	144	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	128	138	133	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	136	136	144	137	125	133	133	125	164	161
Dec.	90	136	136	145	138	124	132	133	125	165	162
Jan.	91	136	136	146	138	123	132	134	125	167	163
Feb.	91	136	137	146	138	122	132	134	126	167	164
Mar.	91	136	136	145	138	122	132	134	126	166	161
Apr.	91	136	136	146	137	122	133	134	126	168	159
May	91	137	136	147	136	123	134	134	126	170	156
June	91	137	137	147	137	123	136	135	127	169	157
July	91	137	138	147	138	123	138	135	127	170	158
Aug.	91	137	139	147	138	123	138	135	127	170	157
Sept.	91	137	139	147	138	123	139	134	127	170	159
Oct.	91	137	139	147	138	123	139	135	128	170	158
Nov.	91	137	139	147	137	122	140	135	127	170	156

11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
Growth Rates, Percent									
Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
4	1	6	2	1	-1	6	2	7	2
4	0	6	1	0	-2	6	2	6	0
2	-2	4	-1	-1	-3	5	1	5	-2
2	-3	4	-2	-2	-4	4	1	5	-5
1	-4	3	-3	-4	-6	4	0	4	-6
0	-4	3	-2	-5	-7	3	0	4	-4
0	-4	4	-2	-6	-6	4	0	5	-3
-1	-2	3	-1	-7	-5	3	1	5	-2
-1	-3	2	-1	-7	-5	3	1	3	-4
0	-2	3	-2	-6	-3	2	2	5	-6
0	-2	3	-3	-4	-1	2	1	6	-8
0	0	3	-2	-4	2	2	2	4	-7
1	2	3	-1	-3	4	2	3	4	-5
0	2	2	0	-2	6	1	2	4	-4
0	3	2	0	-1	6	0	2	3	-2
1	3	2	0	-1	6	1	2	3	-3
0	2	1	0	-1	6	1	1	2	-4
Ten Year Annual Growth Rate, Percent									
3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	128	140	134	119	128	131	148	132	129	117	120	117	161	169	237	226	149	125	113	115	192	234
Aug.	90	128	139	134	119	129	132	149	131	129	117	120	116	162	168	238	226	147	124	113	114	192	232
Sept.	90	127	139	133	118	129	132	149	130	129	117	120	114	162	165	238	234	145	124	113	114	193	230
Oct.	90	126	137	132	118	130	133	150	130	128	116	121	115	163	163	237	223	144	123	114	114	195	229
Nov.	90	125	135	131	116	130	133	149	130	128	115	121	114	164	160	239	233	142	124	114	114	195	236
Dec.	90	124	134	130	115	131	134	149	129	127	115	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	134	128	114	133	134	150	130	126	114	122	114	166	163	248	234	142	122	113	113	197	239
Feb.	91	122	134	128	112	133	135	150	131	126	114	121	115	166	164	249	227	140	123	112	112	201	239
Mar.	91	122	134	128	113	134	135	150	132	126	115	122	115	166	161	249	230	138	122	112	112	199	243
Apr.	91	122	135	129	114	134	134	151	133	124	116	121	116	168	158	255	234	134	123	112	112	199	246
May	91	122	136	129	115	134	133	151	133	124	116	122	116	170	154	253	236	136	124	112	112	202	249
June	91	122	138	129	116	135	134	152	135	124	116	122	116	169	155	251	229	137	123	112	112	202	253
July	91	122	140	130	116	134	134	153	136	124	117	122	117	170	156	254	239	134	124	112	114	202	249
Aug.	91	122	140	129	117	133	134	154	136	124	116	122	115	170	155	257	241	138	123	112	114	202	251
Sept.	91	122	141	130	118	133	135	153	136	124	116	121	115	170	157	256	239	134	123	112	116	204	252
Oct.	91	122	141	130	117	134	135	154	136	124	116	121	115	170	155	258	247	134	123		116	208	253
Nov.	91	122	142	129	118	134	135	154	135	125	116		116	171	154	257	244	132	122		117	208	255
Dec.	91	122	141						133									134	124			209	256
		Growth Rates, Percent																					
July	90	1	-1	0	-5	8	4	8	4	2	-1	4	-1	8	2	8	2	-2	-4	2	-2	-1	-1
Aug.	90	0	-2	-1	-3	8	4	8	3	1	-2	4	-2	8	0	8	2	-4	-4	1	-4	-1	-3
Sept.	90	-1	-2	-2	-4	6	4	7	1	1	-1	3	-4	6	-2	6	8	-5	-4	1	-4	0	-5
Oct.	90	-2	-5	-3	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-6	-5	1	-3	2	-5
Nov.	90	-4	-7	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	5	6	-9	-3	1	-4	1	0
Dec.	90	-5	-7	-5	-7	5	4	4	-1	-2	-4	3	-3	6	-5	6	4	-8	-4	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	5	0	-3	-5	3	-3	6	-4	10	5	-6	-4	-1	-4	4	2
Feb.	91	-7	-5	-7	-9	7	5	4	1	-4	-4	2	-1	6	-2	9	-1	-8	-2	-1	-4	7	2
Mar.	91	-7	-5	-6	-7	7	4	3	2	-4	-3	3	-1	4	-5	8	1	-10	-3	-2	-3	5	6
Apr.	91	-6	-3	-4	-5	6	2	3	4	-5	-1	0	1	6	-8	12	5	-13	-2	-2	-2	5	8
May	91	-5	-1	-3	-2	5	1	3	4	-5	0	1	1	7	-11	9	5	-10	0	-2	-3	6	10
June	91	-4	2	-2	-1	5	1	3	6	-4	0	2	2	5	-9	6	0	-7	-1	-2	-2	6	12
July	91	-3	5	-1	1	4	0	4	6	-3	2	2	2	6	-7	7	7	-9	0	-1	0	5	8
Aug.	91	-2	6	-1	2	1	1	4	6	-3	1	2	0	4	-6	8	8	-4	0	-1	1	4	9
Sept.	91	-1	6	0	4	1	1	2	5	-3	0	0	0	4	-3	6	5	-7	0	-1	4	6	8
Oct.	91	-1	7	0	3	1	1	4	5	-2	1	-1	0	3	-4	7	12	-5	0		5	8	7
Nov.	91	-1	5	0	5	1	2	3	2	-1	1		0	3	-5	4	7	-8	-1		6	7	8
Dec.	91	-1	4						0									-4	2			7	7
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

The Conference Board

Volume 14, Number 3 March 1992

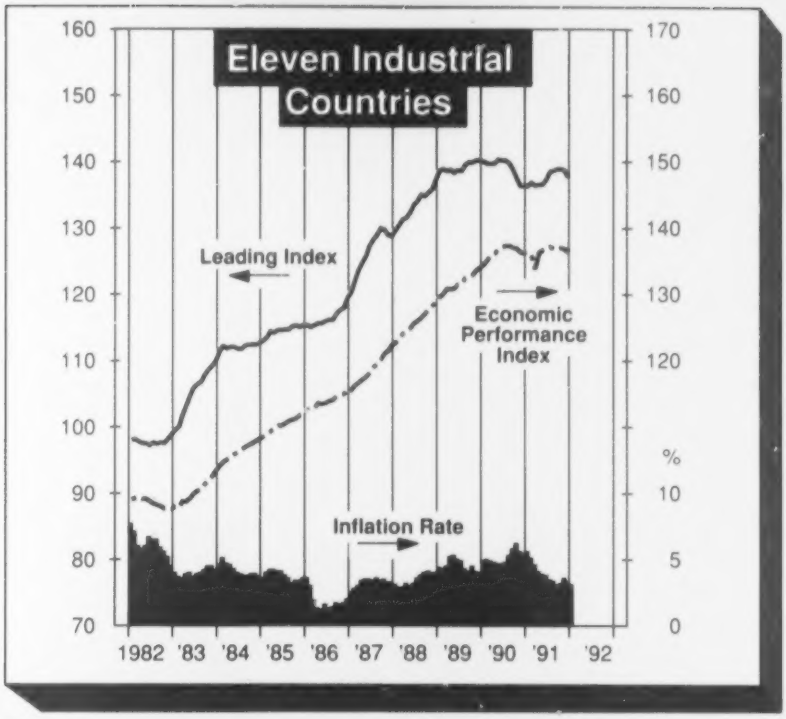
International Economic Scoreboard™

INSIDE:

- **Global Business Cycle Shows Great Diversity**
- **United States Outlook Brightens, Japan and West Germany Weaken**
- **Inflation Continues to Look Favorable**

Serving Business and Society Since 1916

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates • 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates • 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	0	0	0	0	2	0	Recovery stalled, leaders weak	Dec.
Ten countries (U.S. excl.)	3	3	1	1	-2	0	-3	Expansion slowing, leaders weak	Dec.
North America (2)	3	-4	-1	-1	2	6	5	Recovery underway	Dec.
Europe (4)	2	2	0	1	2	2	-1	Expansion slowing, leaders weak	Dec.
Pacific Region (5)	4	4	3	0	-7	-2	-6	Expansion slowing, leaders weak	Dec.
United States	3	-3	-1	-2	5	7	7	Recovery underway	Jan.
Canada	3	-3	-1	-1	-1	1	-4	Recovery stalled, leaders weak	Dec.
West Germany	2	5	1	-2	1	0	-2	Expansion slowing, leaders weak	Dec.
France	2	3	4	3	6	5	0	Expansion continuing, leaders weak	Nov./Dec.
United Kingdom	2	-4	-2	-1	0	1	0	Recession continuing, leaders weak	Dec.
Italy	2	0	2	2	2	0	-1	Expansion stopped, leaders weak	Oct./Dec.
Japan	4	5	4	1	-9	-3	-8	Expansion slowing, leaders weak	Dec.
Korea, R.O.K.	7	6	6	4	8	14	5	Expansion continuing	Dec./Jan.
Australia	3	-9	-5	0	1	0	3	Recession continuing, leaders improving	Jan.
New Zealand	2	-2	-2	-2	-2	4	5	Recession continuing, leaders improving	Dec.
Taiwan, R.O.C.	8	5	8	8	8	7	8	Expansion continuing	Jan.

• Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

All Directions At Once

The global business cycle continues to look soggy. Both the leading and performance indexes for the 11-country composite fell off a point at the latest reading, and each currently shows a growth rate of zero.

This picture of an enervated business cycle is accurate for the industrial world as a whole, but in most cases such a description would be misleading if applied to each nation individually. Examined separately, the countries are moving every which way. Among the Big 3, the United States' cyclical outlook is looking brighter but Japan and Germany darker (as detailed elsewhere in the *Scoreboard*). The Canadian leading index looked encouraging a month ago, but new and revised data make it look sour now. In the rest of Europe (other than Germany) there's no change from the dull outlook of a month ago. And in the rest of the Pacific Region, Australia and New Zealand still appear (as they have off and on for months) to be getting closer to a cyclical recovery, while Korea and Taiwan have stayed on their usual expansion tracks.

Inflation continues to slow, although progress now seems more hesitant than during 1991. Currently, the best inflation news is found in West Germany, where just a few months ago the rate had looked worrisome when it climbed to 5 percent, but it has now eased off to 3.7 percent. That's still an uncomfortable rate for Germany, even though it's a welcome improvement.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.8	3.1	3.3	Steady	Dec.
Ten countries (U.S. excl.)	5.2	3.8	3.3	3.6	Steady	Dec.
North America (2)	5.6	3.7	3.0	3.0	Falling	Dec.
Europe (4)	6.6	4.4	4.3	4.5	Steady	Dec.
Pacific Region (5)	3.4	2.8	1.9	2.9	Steady	Dec.
United States	5.5	3.5	3.0	3.0	Falling	Dec.
Canada	6.5	5.8	3.8	1.5	Low and Falling	Dec.
West Germany	2.9	3.4	4.6	4.4	Steady	Dec.
France	7.3	2.9	2.6	3.4	Steady	Dec.
United Kingdom	7.3	4.9	4.0	4.4	Steady	Dec.
Italy	11.2	6.4	5.6	6.1	Steady	Jan.
Japan	2.5	2.6	1.3	2.6	Steady	Dec.
Korea, R.O.K.	8.1	8.4	9.1	7.9	Falling	Dec.
Australia	8.4	2.4	1.8	2.0	Low and Steady	Nov.
New Zealand	11.8	2.1	1.4	0.2	Low and Falling	Nov.
Taiwan, R.O.C.	4.4	2.7	1.1	4.8	Rising	Dec.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

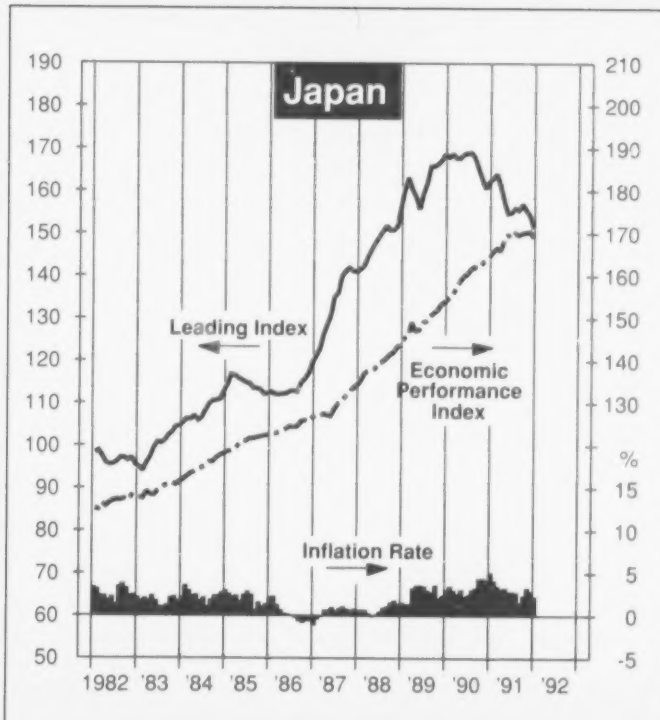
Countries

Mild Encouragement

The U.S. business cycle outlook has improved noticeably of late. Although there's no sign of a *vigorous* upswing, many of the early warning indicators that were more or less stagnant late in 1991, for example, the average factory workweek and new orders for durable goods, are now pointing upward. New housing permits, which rose most of last year, advanced briskly in recent months.

The one black cloud over the U.S. outlook that won't go away is consumer confidence (not a component of our leading index) which remains at recession depth. The sprightly gains in retail sales for January and February, however, have reminded us that consumer spending doesn't always follow the mood of the consumer, thus taking some of the worry out of the sentiment survey results.

At 2.9 percent, the U.S. inflation rate continues at a comfortable level.

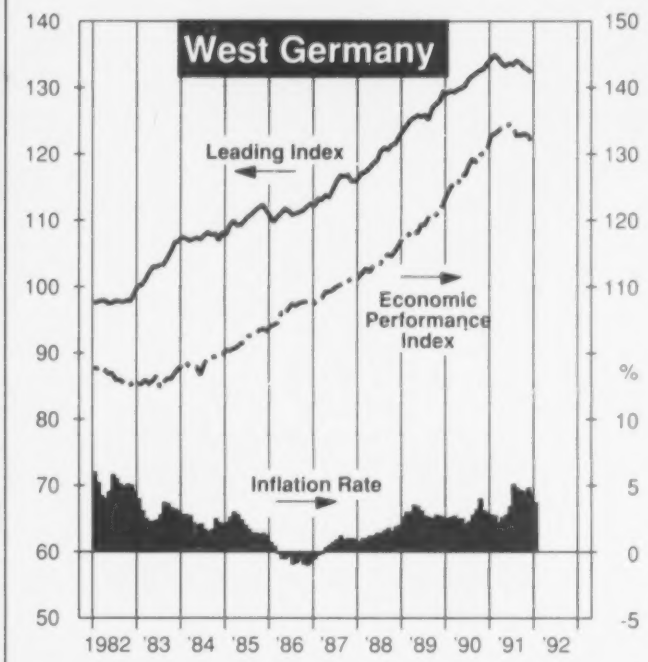


Recession Risk Heightened

The Japanese economy looks worse again this month. The performance index slipped a notch and the leading index dipped another three points. The leading index is now declining at an 8 percent rate. Among the component series that have weakened are overtime hours, business failures, new orders, profit margins, and—most severely—common stock prices.

Since last fall capital investment orders have fallen sharply. Japanese companies are under pressure from two directions. On the one side, bank credit is very tight, and on the other side the plunge in stock prices has shut off the companies' ability to raise equity capital. At this point there is no likelihood of an early turnaround in capital spending.

Japan's trade surplus has been rising—from weak imports rather than export strength—thus offsetting part of the downturn in domestic demand. But with the leading index falling this far for this long, the risk of a full-fledged recession has mounted. The 1 1/2 percent drop in fourth quarter real GNP adds weight to that prospect.



Topping Out?

The German business cycle is showing signs of what might prove to be a "topping out." There's confusion in the numbers, however, because of the integration with East Germany.

West German GDP has been declining for three quarters, but where that might usually mean recession, maybe not this time. First, note that the West German performance index has sagged less than 2 percent since its peak last June. Second, the leading index, usually much more sensitive, is also down just 2 percent from its peak last February. Third, inflation accelerated sharply through July and showed no persuasive signs of slowing until December. By those measures, despite the decline in GDP, 1991 does not appear to have been a recession year.

1992, however, is up for grabs. The leading index has drooped a bit in each of the latest 4 months. New orders for investment goods and two separate indicators of profit margins are especially weak, reflecting the high interest rates imposed by the Bundesbank in its anti-inflation efforts. The evidence pointing toward recession in 1992 is neither severe nor widespread enough to be conclusive, but it surely should make us suspicious.

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Oct.	90	137	138	144	138	126	135	133	125	164	162
Nov.	90	136	136	144	137	125	133	133	125	164	161
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Jan.	91	136	136	146	138	123	132	134	125	166	163
Feb.	91	136	137	146	138	122	132	134	126	167	164
Mar.	91	136	136	146	138	122	132	134	126	166	161
Apr.	91	136	136	146	137	122	133	134	126	168	159
May	91	137	136	147	137	122	134	134	126	170	157
June	91	137	137	147	137	122	136	135	127	169	157
July	91	137	138	147	138	122	138	135	127	170	158
Aug.	91	137	139	147	137	122	138	135	127	170	158
Sept.	91	137	139	147	138	122	139	134	127	170	159
Oct.	91	137	139	147	137	122	139	135	127	170	158
Nov.	91	137	139	147	136	122	140	135	126	170	156
Dec.	91	136	138	147	135	122	139	135	126	169	154

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	4	1	6	2	1	-1	6	2	7	2
	4	0	6	1	0	-2	6	2	6	0
	2	-2	4	-1	-1	-3	5	1	5	-2
	2	-3	4	-2	-2	-4	4	1	5	-5
	1	-4	3	-3	-4	-6	4	0	4	-6
	0	-4	3	-2	-5	-6	3	0	4	-4
	0	-4	4	-2	-6	-6	4	0	5	-3
	-1	-3	3	-1	-7	-5	3	1	5	-2
	-1	-3	2	-1	-7	-5	3	1	3	-4
	0	-2	3	-2	-6	-3	2	2	5	-6
	0	-2	3	-3	-5	-1	2	1	6	-8
	0	0	3	-2	-4	2	2	2	4	7
	1	1	3	-1	-3	4	2	3	4	-5
	0	2	2	-1	-2	5	1	2	4	-4
	0	2	1	0	-1	6	0	2	3	-2
	1	2	2	0	-1	6	1	1	3	-2
	0	2	2	-1	-1	6	1	0	2	-4
	0	0	1	-3	-1	5	1	-1	0	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	126	137	132	118	130	133	150	130	128	116	121	115	163	163	237	223	144	123	113	114	195	229
Nov.	90	124	135	131	116	130	133	149	130	128	115	121	114	164	160	239	233	142	124	113	114	195	236
Dec.	90	124	134	130	115	131	134	149	129	127	115	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	122	134	128	113	133	134	150	130	126	114	122	114	166	163	248	236	142	122	113	113	197	239
Feb.	91	122	134	128	112	133	135	150	131	126	114	121	115	166	164	249	229	140	123	112	112	201	239
Mar.	91	121	134	128	112	134	135	150	132	126	115	122	115	166	161	249	232	138	122	112	112	199	243
Apr.	91	121	135	128	113	134	134	151	133	124	116	121	116	168	158	255	236	134	123	112	112	199	246
May	91	122	136	129	115	134	133	151	133	124	116	122	116	170	154	253	238	136	124	112	112	202	249
June	91	122	138	129	115	135	134	152	135	124	116	122	116	169	155	251	231	137	123	112	112	202	253
July	91	122	140	129	116	134	134	153	136	124	117	122	117	170	156	254	241	134	124	112	113	202	249
Aug.	91	122	140	129	116	133	134	154	136	124	116	122	115	170	155	257	243	138	123	111	114	202	251
Sept.	91	122	141	129	115	133	134	153	136	124	116	122	115	170	157	256	242	134	123	111	115	204	252
Oct.	91	122	142	129	114	133	133	154	136	124	116	123	115	170	155	258	252	134	123	112	116	208	253
Nov.	91	121	142	128	113	133	133	154	135	125	116		115	170	154	257	247	132	122	112	116	208	255
Dec.	91	121	142	128	112	132	132		133	124	116		115	169	151	258	239	132	124	111	116	209	255
Jan.	92	120	143														245	136	125			211	260
		Growth Rates, Percent																					
Oct.	90	-2	-4	-3	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-6	-5	1	-3	2	5
Nov.	90	-4	-6	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	5	6	-9	-3	0	-4	1	0
Dec.	90	-5	-6	-5	-7	5	4	4	-1	-2	-4	3	-3	6	-5	6	4	-8	-4	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	5	0	-3	-5	3	-3	6	-4	10	7	-6	-4	-1	-4	4	2
Feb.	91	-7	-5	-7	-10	7	5	4	1	-4	-4	2	-1	6	-2	9	0	-8	-2	-1	-4	7	2
Mar.	91	-7	-5	-6	-8	7	4	3	2	-4	-3	3	-1	4	-5	8	2	-10	-3	-1	-4	5	6
Apr.	91	-6	-3	-5	-5	6	2	3	4	-5	-1	0	1	6	-8	11	6	-13	-2	-1	-3	5	8
May	91	-5	-1	-3	-2	5	1	3	4	-5	0	2	1	7	-10	9	6	-10	0	-1	-3	6	10
June	91	-4	2	-3	-1	5	1	3	6	-4	0	2	2	5	-9	6	0	-7	-1	-2	-2	6	12
July	91	-3	5	-2	0	4	0	4	6	-3	2	2	2	6	-7	7	8	-9	1	-2	0	5	8
Aug.	91	-2	6	-2	1	1	1	4	6	-3	0	2	0	4	-6	9	8	-4	0	-2	1	4	9
Sept.	91	-1	6	-1	1	1	0	2	5	-2	1	0	0	4	-3	6	7	-7	0	-2	4	6	8
Oct.	91	-1	7	-1	-1	1	1	4	5	-2	1	2	0	3	-4	7	14	-5	0	-1	5	8	7
Nov.	91	-1	7	0	-2	0	-1	3	2	-1	1		-1	3	-5	4	8	-8	-1	-1	5	7	8
Dec.	91	-1	5	-1	-4	-2	-2		0	-1	0		-1	1	-8	4	1	-6	2	-2	5	7	6
Jan.	92	-2	7														5	0	3			8	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

The Conference Board

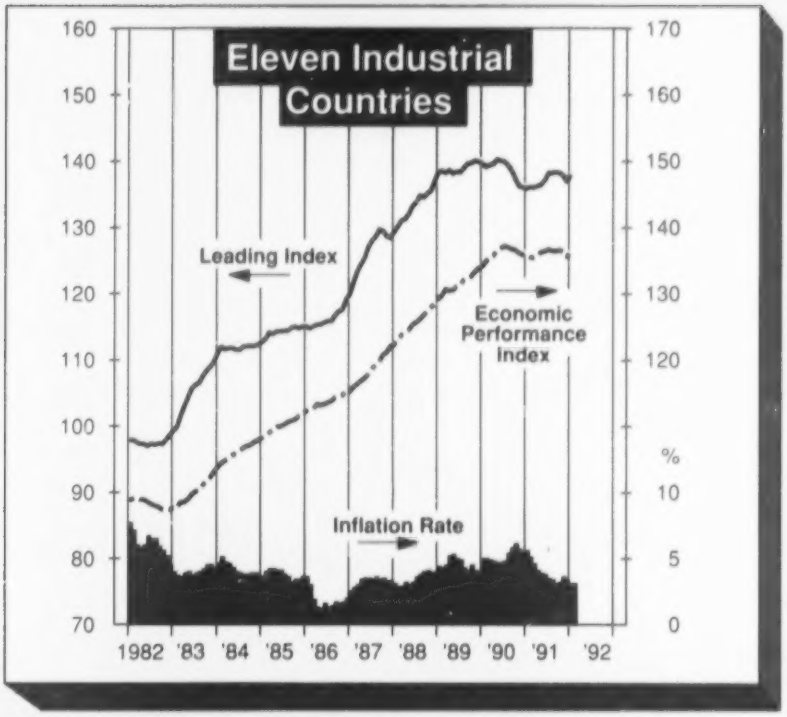
Volume 14, Number 4 April 1992

International Economic Scoreboard™

INSIDE:

- **Global Business Cycle Stuck in Neutral**
- **United States Leaders Strong But Full Recovery Still Only a Promise**
- **Worries About Japan Worsen**
- **Inflation Falling Widely**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	1	1	0	2	2	1	Recovery stalled, leaders weak	Jan.
Ten countries (U.S. excl.)	3	3	2	2	-1	-2	-3	Expansion slowing, leaders weak	Jan.
North America (2)	3	-3	-1	-2	4	7	7	Recovery underway	Jan.
Europe (4)	2	2	1	1	3	1	0	Expansion slowing, leaders weak	Jan.
Pacific Region (5)	4	4	3	3	-5	-5	-7	Expansion continuing, leaders weak	Jan.
United States	3	-2	-1	-1	6	7	8	Recovery underway	Feb.
Canada	3	1	0	-1	0	-2	-2	Recovery stalled, leaders weak	Jan.
West Germany	2	4	1	1	1	-1	-1	Expansion slowing, leaders weak	Jan.
France	2	4	4	3	6	1	3	Expansion continuing	Jan./Feb.
United Kingdom	2	-4	-3	-2	2	0	1	Recession continuing, leaders weak	Jan.
Italy	2	0	2	2	2	0	2	Expansion stopped, leaders improving	Oct./Jan.
Japan	4	6	4	3	-7	-7	-10	Expansion slowing, leaders weak	Jan.
Korea, R.O.K.	7	8	4	4	8	7	6	Expansion continuing	Feb.
Australia	3	-4	-5	-2	1	0	2	Recession continuing, leaders improving	Feb.
New Zealand	2	-2	-2	-2	0	4	6	Recession continuing, leaders improving	Dec./Jan.
Taiwan, R.O.C.	8	5	4	8	9	8	8	Expansion continuing	Feb.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Stuck In Neutral

The global business cycle still appears to be stuck in neutral gear. Both the composite indexes for these 11 countries have been pretty much flat over the past year. The one source of optimism is the international diffusion index shown on page 4.

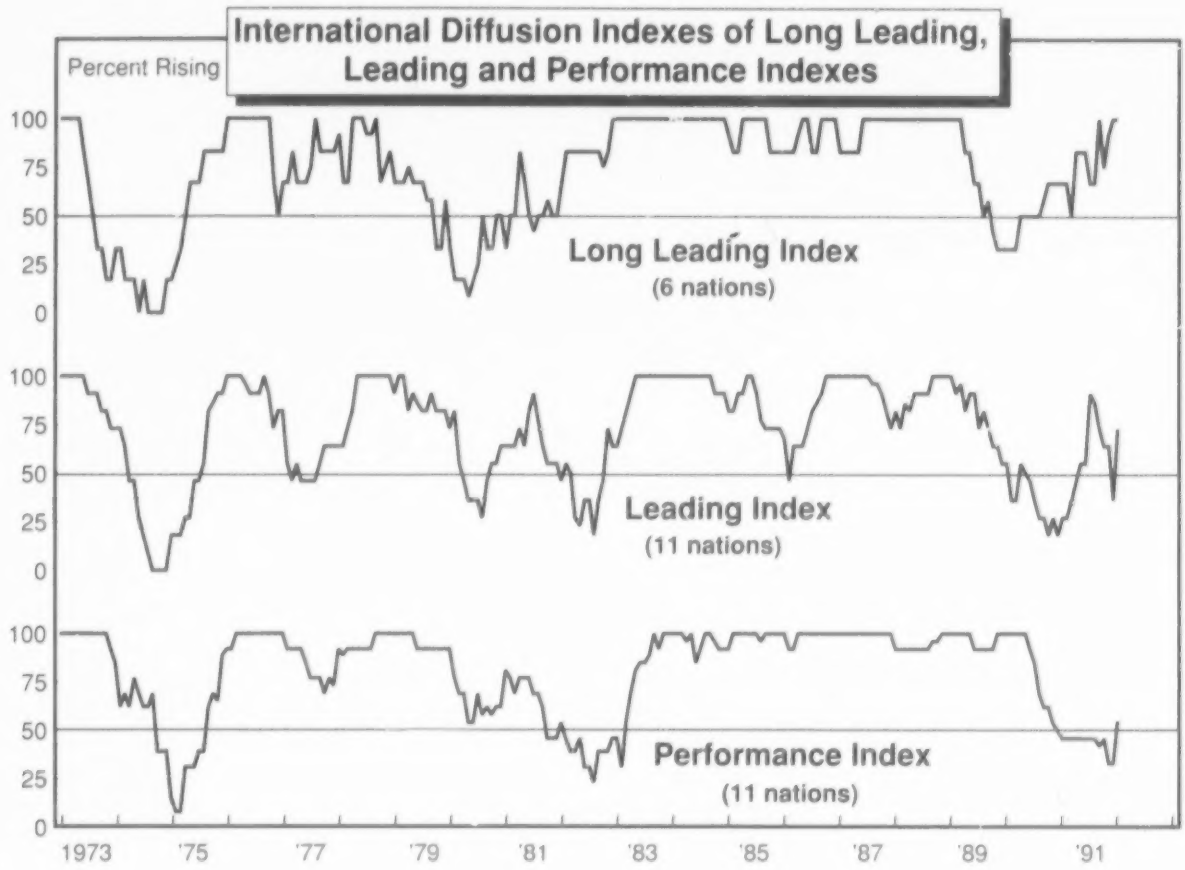
A country-by-country review of the leading indexes reinforces the idea of a becalmed cycle. Among the large economies, the upswing of the leaders in the United States (+8 percent) is offset by the decline in Japan (-10 percent), while the four European countries have slow rates ranging from -1 in West Germany to +3 in France.

The main source of encouragement these days is the inflation story. The 11-country composite rate is at 3.1 percent, down from around 6 percent when oil prices were surging in late 1990 and, in fact, the slowest rate of inflation recorded for the industrial world in some 4 years.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.4	3.6	3.1	Falling	Feb.
Ten countries (U.S. excl.)	5.2	3.9	4.1	3.1	Falling	Feb.
North America (2)	5.6	3.2	3.2	2.7	Falling	Feb.
Europe (4)	6.6	4.4	4.6	4.1	Falling	Feb.
Pacific Region (5)	3.4	3.0	3.4	2.3	Falling	Feb.
United States	5.5	3.0	3.0	3.5	Rising	Mar.
Canada	6.5	4.4	2.8	0.9	Low and Falling	Feb.
West Germany	2.9	4.8	4.8	4.1	Falling	Feb.
France	7.3	2.8	3.2	3.4	Rising	Feb.
United Kingdom	7.3	4.2	4.2	4.0	Steady	Feb.
Italy	11.2	5.8	5.8	5.2	Falling	Mar.
Japan	2.5	2.7	3.2	1.9	Low and Falling	Feb.
Korea, R.O.K.	8.1	9.7	9.1	6.9	Falling	Feb.
Australia	8.4	2.4	1.8	2.0	Low and Volatile	Nov.
New Zealand	11.8	2.1	1.4	0.2	Low and Falling	Nov.
Taiwan, R.O.C.	4.4	3.2	5.5	5.8	Rising	Feb.

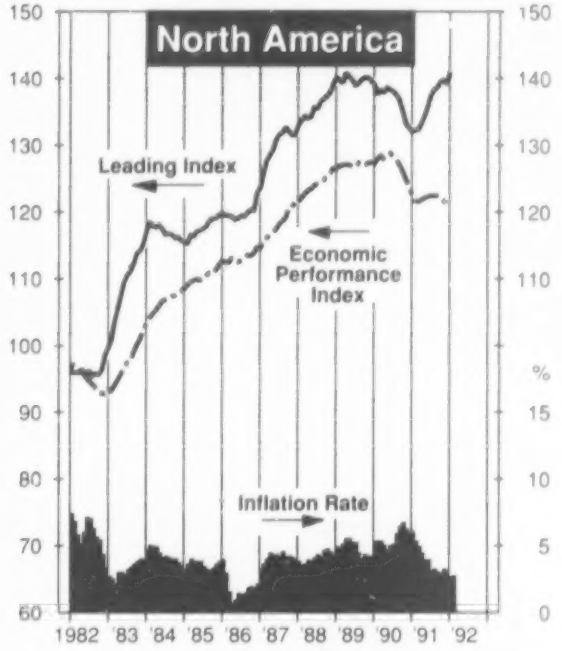
* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.



Signals of an Upswing

The international diffusion indexes in the chart above provide a signal that the global business cycle is on the upgrade. Each diffusion index has been rising of late, telling us that an increasing proportion of countries is reporting gains in their economic indicators.

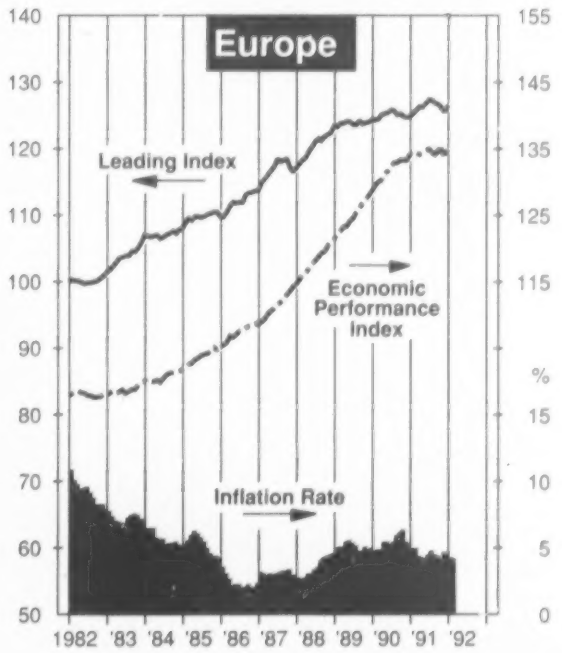
Furthermore, the sequence of the upturns in the three diffusion indexes is behaving according to Hoyle. The diffusion index for the leaders started rising earlier than the diffusion index based on the performance measures, and the diffusion index based on the long leaders started rising earlier yet. In other words, the leading indexes lead the economy, and the long leading indexes lead still more.

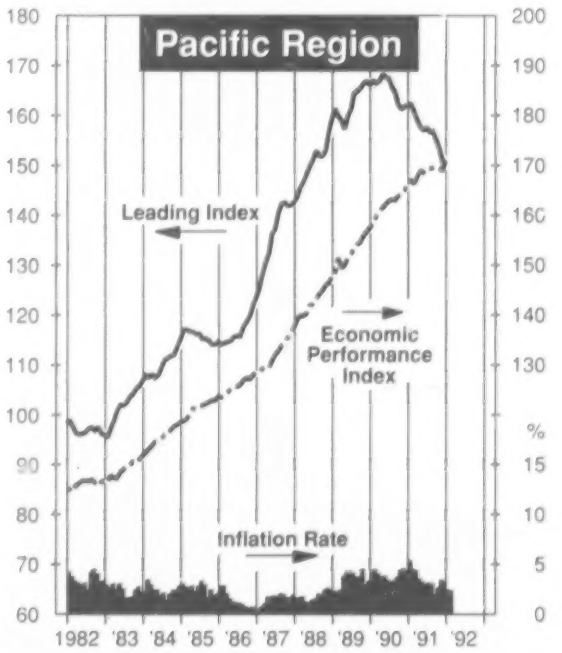


Mixed Pattern Persists

The business cycle patterns in each of the three major regions of the world have hardly changed at all in recent months. North America, dominated by the United States, shows no pick-up in the economy thus far but a strong suggestion from the leading index that revival is close at hand. In Europe, the business cycle is stalled, as both indexes are flat. And in the Pacific, dominated by Japan, the performance index shows that economic growth is leveling off, but the possibility of an actual downturn is signaled by the continuing free-fall in the leading index.

Inflation looks favorable in both North America (2.7 percent) and the Pacific Region (2.3 percent), but only so-so in Europe (4.1 percent).



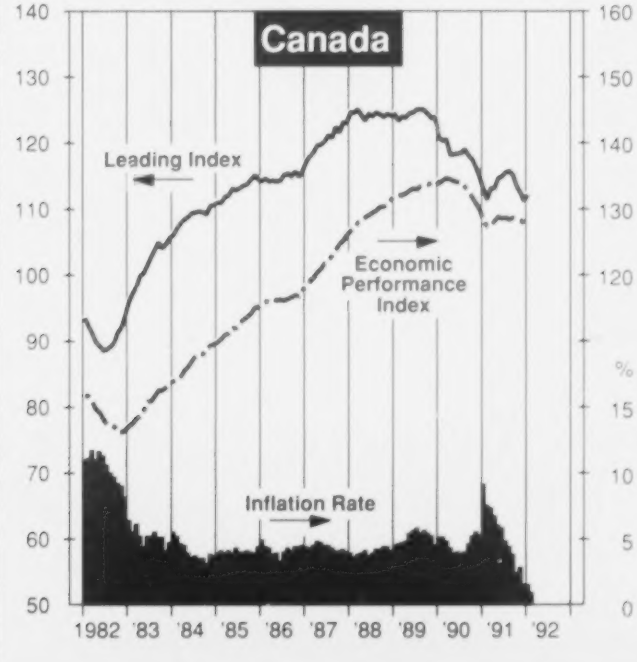


Countries

Full Recovery Still Just A Promise

The U.S. indexes continue to exhibit the strong promise of a full cyclical recovery, but not the realization. The evidence is clear: The performance index has remained generally flat in recent months, while the leading index has gained additional strength. Among the component series of the leading index, the improvement has been fairly widespread, but the largest contributions have come from new housing permits, common stock prices, and more recently industrial materials prices.

The U.S. inflation rate accelerated by half a percentage point in March. Part of the speed up can be traced to the often erratic components of food and energy, but the remaining three fourths of the consumer price index also accelerated. With capacity utilization low and wages continuing to be well behaved, however, this March report does not look like the precursor of a new surge of price inflation.

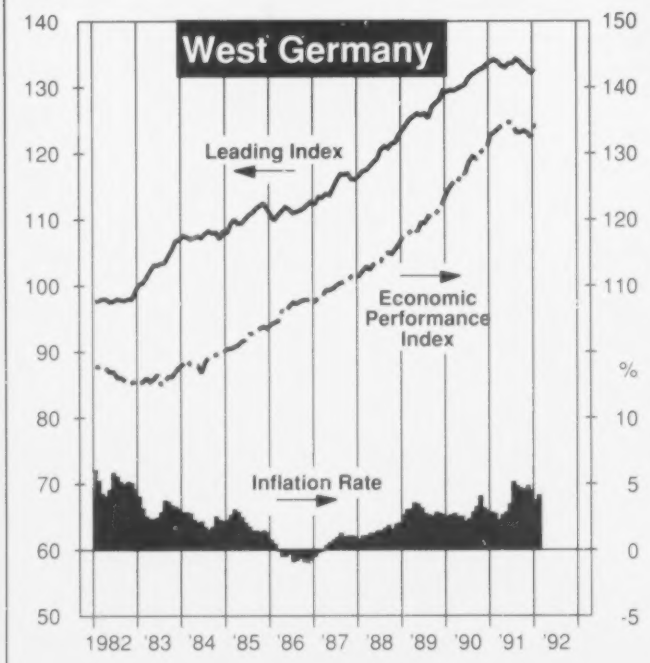


Weakness Persists

The Canadian cyclical indexes are disappointing. The performance index has been treading water for a year. Unemployment is in excess of 10 percent. In sharp contrast to the United States the leading index has weakened again in recent months. Profit margins, consumer goods orders, and unemployment claims are especially weak. Industrial materials prices are about the only leading indicator showing strength.

Because exports represent about 30 percent of Canada's output and the United States takes almost 80 percent of Canada's exports, the coming cyclical revival in the United States is the best hope for a Canadian recovery.

The inflation rate continues to fall rapidly. At latest report it is below 1 percent, the second lowest rate shown in the Scoreboard.

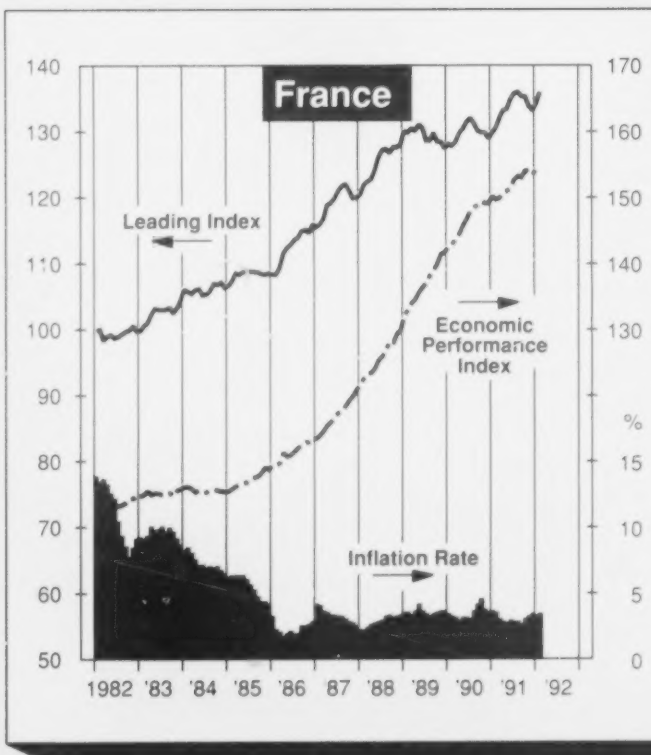


Unification Blues

The West German economy continues to throw off mixed signals. Neither the performance index, which has been pretty much flat, nor the leading index, which has been tilting slightly down, are giving any decisive indication of the prospective cyclical direction. Most forecasts call for continued slow expansion, but in the present atmosphere it's difficult to be confident about any forecast.

Within Germany, inflation is the dominant issue. The rise in consumer prices has slowed a bit in recent months, although the rate remains unacceptably high. The main focus, however, is on wage settlements, which thus far show no signs of abating. The latest confrontation in this issue is a massive strike called by public service workers. Interest rates seem destined to remain high, at least until the wage issue is resolved.

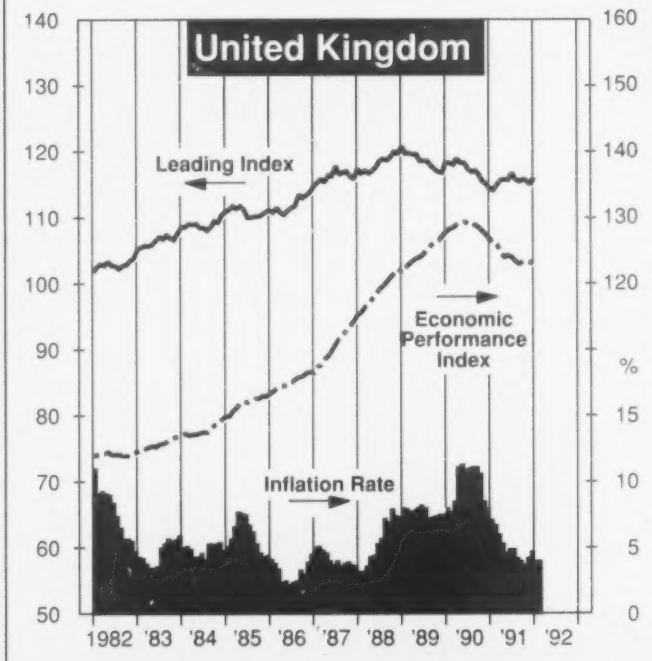
Perhaps the best explanation of the current situation is (in an apt phrase from First Boston) that Germany is "over stretched by unification."



A Slight Improvement

Although most European forecasters seem disappointed about the outlook for the French economy, both cyclical indexes appear to be a bit more favorable again. The performance index continues to rise gradually—at a 3 percent rate—and the leading index, after a weak fourth quarter, bounced back nicely in January and February. The recent improvement in the leaders was sparked by rising orders, materials prices and common stock prices.

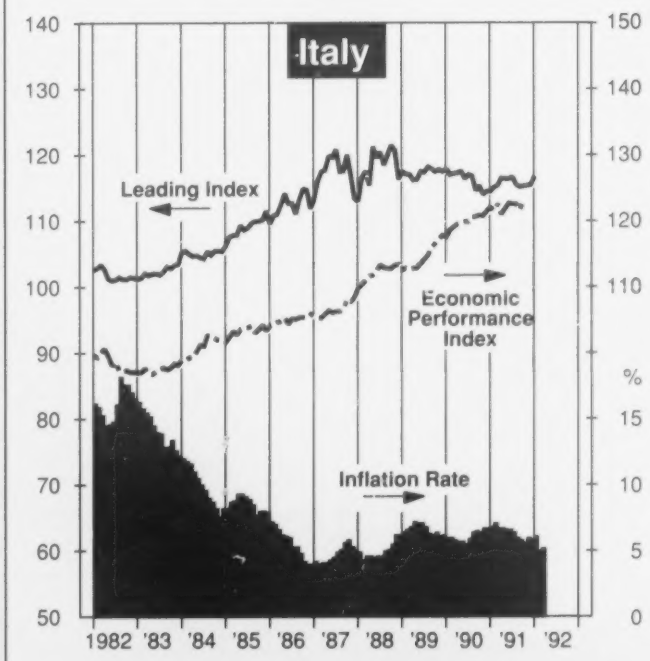
The French inflation rate has held stable at a rate that appears to be tolerable.



Becalmed

The British economy continues to look weak. Both the performance and leading indexes have been going nowhere for some months. Among the leading indicators, profit margins and business failures have been especially disappointing. Inflation remains flat, too.

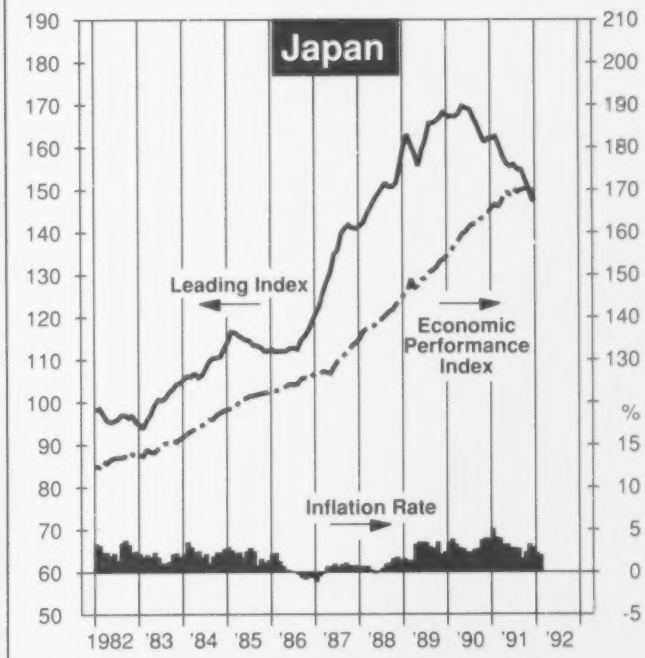
The unexpected reelection of the Conservative Party has given the U.K. financial markets a lift, but whether it will do the same for the economy is open to question at this point.



Cloudy Crystal Ball

The crystal ball for the Italian economy seems as clouded as ever. One reason is the absence of up-to-date information (a complaint not at all new to our readers). Another is the basically flat (but highly erratic) movements of the cyclical indexes recently. Both have a slight upward tilt, but not enough to inspire confidence about the outlook.

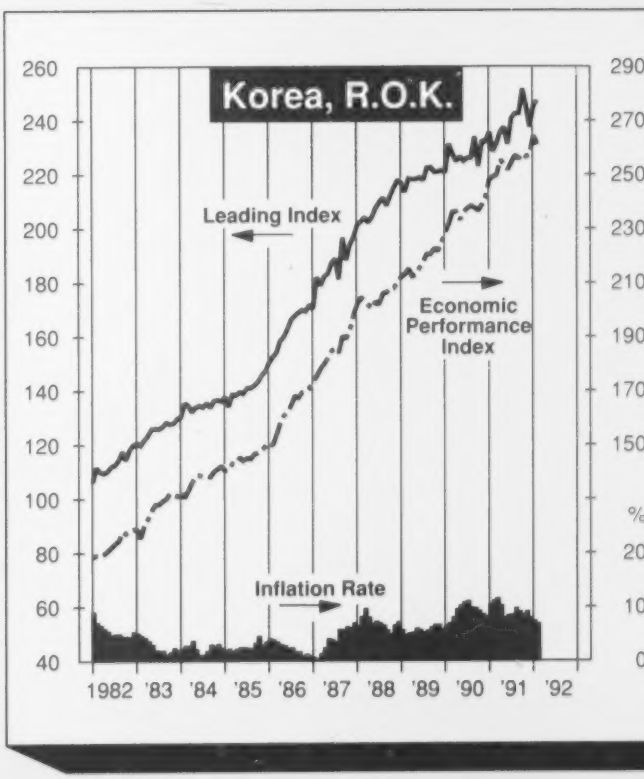
At 5.2 percent, the italian inflation rate is about as low as it's been over the past 3 years. It remains the highest rate of our 4 European countries, however.



So Far the Sky Is Not Falling

Worries about the Japanese economy have reached new highs, predominantly in the financial sector where collapsing stock prices—on average down more than 50 percent since the year-end 1989 peak—have produced widespread sky-is-falling panic. In not a few cases, the reality is close to that: many real estate speculators, housing contractors, mortgage companies, and small banks have failed. Rumors abound that many larger firms are headed for the same fate. This pessimism is confirmed by the prolonged drop in the leading index—and the drop reflects serious weakness in a broad range of leading indicators, not just stock prices.

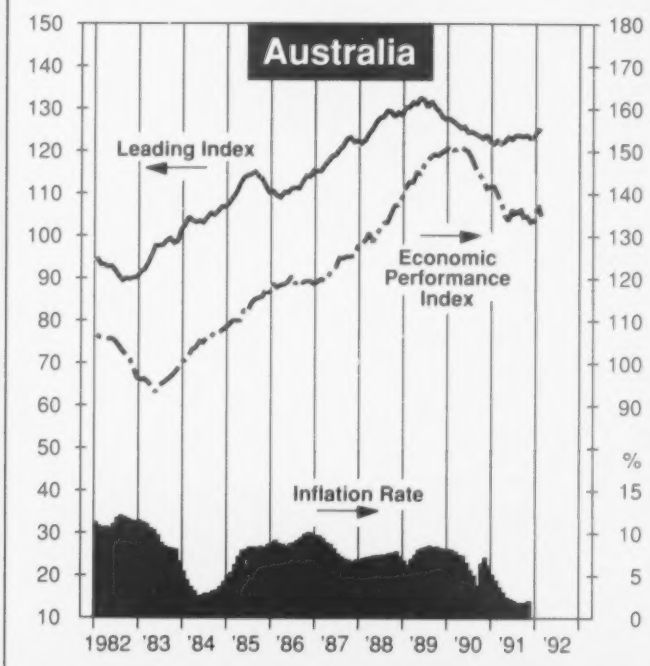
The performance index, however, is still advancing, although slowly. This has been the general pattern in past Japanese "recessions"—economic growth slows down, but the economy doesn't go through an actual contraction in economic activity. Despite the long, steep drop in the leading index, most forecasters expect the same thing to happen here in 1992.



Steady Moderate Expansion

The Korean economy continues to expand, but by past standards not vigorously. The economic performance index is showing a 4 percent growth rate (against an historical average of 7 percent), and the leading index is rising at a 6 percent rate.

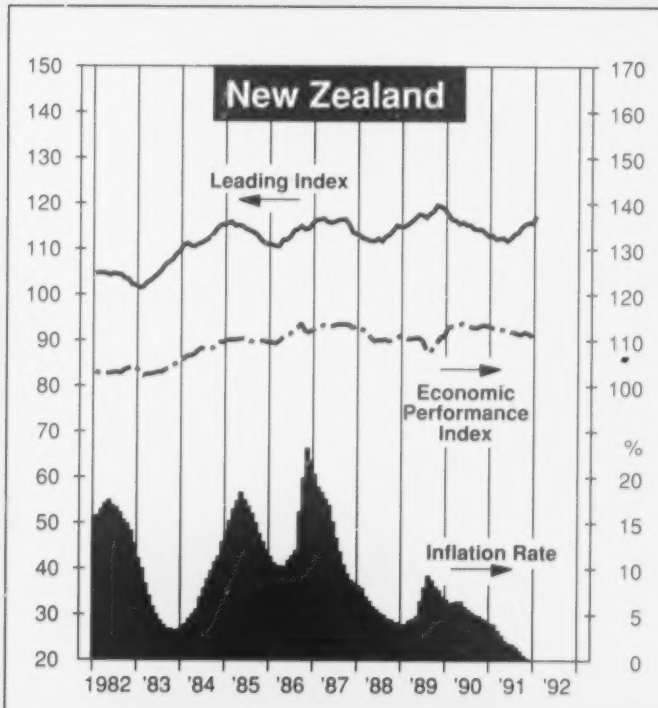
The inflation rate, at 6.9 percent, has been falling steadily in recent months, but is still the highest among our 11 countries.

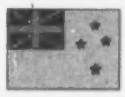


Sluggish Upturn Ahead

In view of the long recession Australia has been through over the past two years, it takes an extra helping of courage to be optimistic about the Down-Under outlook. Nevertheless, although the present posture of the Australian indexes is less than decisive, it takes only a slight optimistic bias to read the beginning of cyclical recovery into their recent movements. We said something similar a few months ago, and our conclusion proved to be premature, and that's another reason we are inclined to be cautious now. But the beginning of recovery is how it looks to us just now.

On the pessimistic side, two points should be made. First, the slowing of growth in Japan is an important negative for Australia, because Japan is Australia's largest export market. Second, although inflation is quite low (2.0 percent at latest reading), which in several ways is a highly favorable omen, it also means that, despite the big drop in interest rates, the cost of capital continues to be very high (10 or 11 percent from the "real" prime rate), a formidable barrier to the revival of capital investment. Consequently, the coming cyclical upswing seems likely to be sluggish.



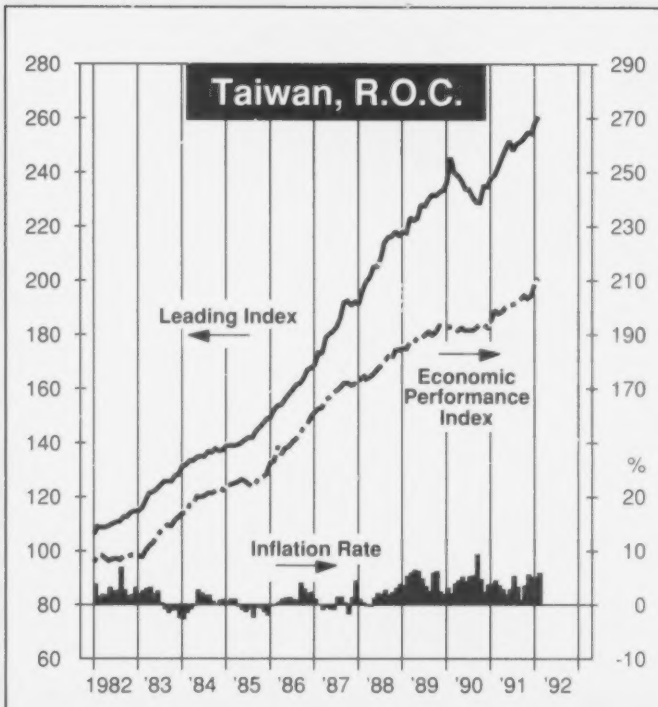


Once Again, Hope of Recovery

At latest report, the Kiwi economy still seems to be sliding along the bottom of its long recession. Unemployment is at 11 percent and still rising through February.

The leading index has turned around, however, and is once again pointing emphatically toward cyclical recovery. It is important not to rely too heavily on a brief pick-up in the leaders, however, in view of how limited and short-lived was the response of the New Zealand economy to a similar improvement in the leaders in 1989. Hopefully, the developing recovery will not abort this time around.

We can take encouragement from the recent inflation record. As of November inflation was all but vanquished, with the rate down to a minuscule 0.2 percent, the lowest of all eleven countries.



Impressive Growth

Taiwan's economy is expanding rapidly. The performance index is advancing at an 8 percent rate, and the leading index at 9 percent. These are the strongest growth rates in the *Scoreboard* and impressive by any standard other than Taiwan's own history, which shows a 10-year growth rate of 8 percent per year.

At least part of the negative impact on Taiwan from the slowing of the Japanese economy is being offset by the strengthening growth in China.

Taiwan's inflation rate, at 6 percent, is accelerating, which is not altogether surprising in view of the strong cyclical upswing taking place.

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The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

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INDEXES, WORLDWIDE AND BY REGION, 1990-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	137	138	144	138	126	135	133	125	164	162
Nov.	90	136	136	144	138	125	133	133	125	164	162
Dec.	90	136	136	145	138	124	133	133	125	165	162
Jan.	91	136	136	146	138	122	132	134	125	166	162
Feb.	91	136	136	146	138	122	132	134	125	167	162
Mar.	91	136	136	146	138	122	132	134	126	166	161
Apr.	91	136	136	146	137	122	133	134	126	168	159
May	91	137	137	147	137	122	134	134	126	169	158
June	91	137	137	147	137	122	136	135	127	169	157
July	91	137	138	147	138	122	138	135	127	170	158
Aug.	91	137	138	147	137	122	138	134	127	170	157
Sept.	91	137	139	147	137	122	139	134	127	170	157
Oct.	91	137	138	147	136	122	140	135	127	170	155
Nov.	91	137	138	147	135	122	140	135	126	170	154
Dec.	91	136	137	146	134	121	139	134	126	169	151
Jan.	92	137	138	148	135	121	141	135	127	171	151

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Growth Rates, Percent									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	2	-3	4	-2	-2	-4	4	1	5	-5
Nov.	90	1	-4	3	-3	-4	-6	4	0	4	-6
Dec.	90	0	-4	3	-2	-5	-6	3	0	4	-4
Jan.	91	0	-4	4	-2	-7	-6	4	0	5	-4
Feb.	91	-1	-3	3	-2	-7	-5	3	0	5	-3
Mar.	91	-1	-3	2	-2	-7	-5	2	1	3	-4
Apr.	91	-1	-2	2	-2	-6	-3	2	2	4	-6
May	91	0	-2	3	-2	-4	-1	2	1	5	-7
June	91	0	0	2	-2	-4	2	2	2	4	-6
July	91	1	2	3	-1	-3	4	2	3	4	-5
Aug.	91	0	2	2	-1	-2	5	1	2	4	-5
Sept.	91	0	2	1	-1	-1	6	0	1	3	-4
Oct.	91	1	2	2	-2	-1	7	1	1	3	-5
Nov.	91	0	1	1	-3	-1	6	1	0	2	-6
Dec.	91	-1	0	0	-4	-2	5	-1	-1	1	-9
Jan.	92	0	1	2	-3	-2	7	1	0	3	-7
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	126	137	132	118	130	133	150	130	128	116	121	115	163	163	237	223	143	123	113	114	195	230
Nov.	90	124	135	131	116	130	133	149	130	128	115	121	114	164	161	239	233	141	124	113	114	194	236
Dec.	90	124	134	130	115	131	134	149	129	127	115	121	114	164	162	242	232	141	122	113	113	194	236
Jan.	91	122	134	128	113	133	134	150	130	126	114	122	114	166	162	248	236	142	122	113	113	196	239
Feb.	91	121	134	128	112	133	134	150	131	126	114	121	115	166	162	249	229	140	122	112	112	200	240
Mar.	91	121	134	128	113	134	134	150	132	126	115	122	115	166	160	250	232	138	122	112	112	199	243
Apr.	91	121	135	128	113	134	133	151	133	124	116	121	116	168	158	256	236	135	122	112	112	199	246
May	91	122	136	129	115	134	133	151	133	124	116	122	116	169	156	254	238	136	123	112	112	201	249
June	91	122	138	129	115	135	134	152	135	124	116	122	116	169	156	252	231	136	123	112	112	202	252
July	91	122	140	129	116	134	134	153	136	124	116	122	116	170	156	254	241	134	124	112	113	202	249
Aug.	91	122	140	129	116	133	134	153	136	123	116	122	115	170	155	257	243	137	124	111	114	203	251
Sept.	91	122	141	129	115	133	134	153	135	123	115	122	115	170	155	256	242	134	123	111	115	204	252
Oct.	91	122	142	129	114	133	133	154	135	123	116	123	115	170	152	258	252	135	124	112	115	205	254
Nov.	91	121	142	128	113	133	133	154	134	123	115		115	170	150	257	246	133	123	111	116	204	255
Dec.	91	121	142	128	111	132	132	154	133	123	115		115	169	148	257	238	134	123	111	116	205	255
Jan.	92	120	144	128	112	134	133	154	134	123	116		117	171	147	264	246	138	125		117	210	260
Feb.	92	121	145						136							261	248	135	125			212	262
		Growth Rates, Percent																					
Oct.	90	-2	-4	-3	-4	7	4	6	0	0	-2	3	-3	6	-5	4	-2	-7	-5	1	-3	2	-5
Nov.	90	-4	-6	-4	-5	6	4	5	0	-1	-3	2	-4	6	-7	4	6	-9	-3	0	-4	1	0
Dec.	90	-5	-6	-5	-7	6	4	4	-1	-2	-4	3	-3	6	-5	6	4	-8	-4	0	-4	0	0
Jan.	91	-7	-6	-7	-8	8	4	5	0	-3	-5	3	-3	7	-5	10	7	-7	-4	-1	-4	3	2
Feb.	91	-7	-5	-7	-10	7	4	3	1	-3	-4	2	-2	6	-4	9	0	-8	-3	-1	-4	6	3
Mar.	91	-7	-5	-6	-6	6	3	3	2	-4	-3	3	-1	5	-6	8	2	-10	-3	-1	-4	4	6
Apr.	91	-6	-3	-5	-5	6	2	3	4	-5	-1	0	1	6	-8	12	6	-12	-2	-1	-3	5	8
May	91	-5	-1	-3	-2	6	1	3	4	-5	-1	2	1	7	-9	9	6	-10	0	-1	-3	6	10
June	91	-4	2	-3	-1	5	1	3	6	-4	0	2	1	5	-8	6	0	-7	0	-2	-2	6	12
July	91	-3	5	-2	0	4	1	4	6	-4	2	2	2	6	-7	7	8	-8	1	-2	0	5	8
Aug.	91	-2	6	-2	1	1	2	4	6	-4	0	2	0	4	-7	8	8	-4	1	-2	1	5	9
Sept.	91	-1	6	-1	0	1	1	3	5	-4	0	0	0	4	-6	6	7	-6	1	-2	3	6	8
Oct.	91	-1	7	-1	-2	1	-1	4	4	-3	0	2	0	4	-7	6	14	-5	1	-1	4	6	8
Nov.	91	-1	7	0	-3	0	-1	3	1	-2	0		0	3	-9	4	7	-5	0	-1	4	4	8
Dec.	91	-2	6	-1	-4	-1	-2	2	0	-2	-1		0	1	-11	3	0	-4	1	-2	4	4	6
Jan.	92	-2	7	-1	-2	1	-1	3	1	-2	1		2	3	-10	8	5	2	4		6	8	8
Feb.	92	-1	8						3							4	6	-2	2			8	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	6	8

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The Conference Board

Volume 14, Number 5 May 1992

International Economic Scoreboard™

INSIDE:

- **Global Business Cycle Unexciting**
- **Not So Japan, Still Worrisome**
- **Canada Sub-Par, Germany Doubtful**
- **Inflation Not Threatening**

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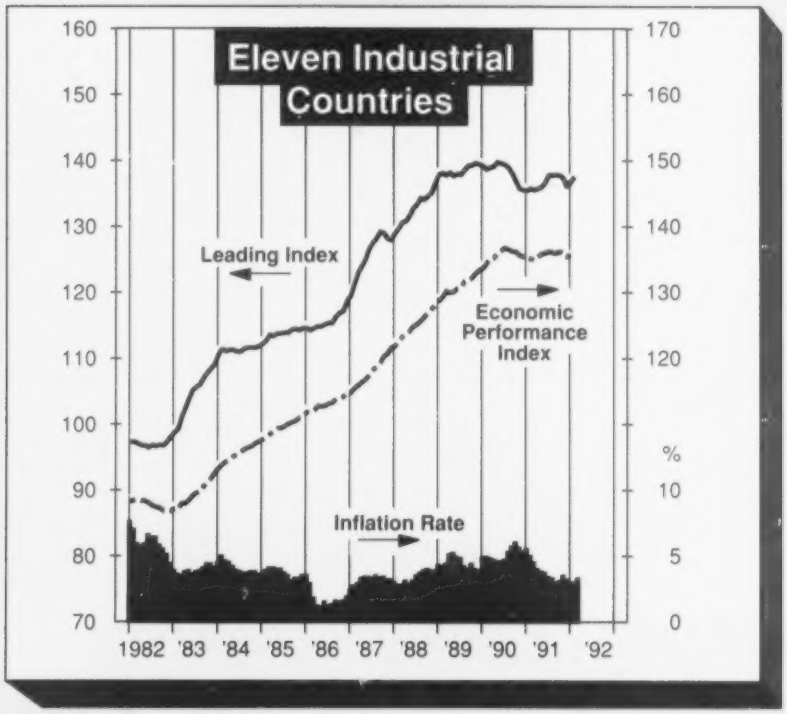
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	0	1	2	1	1	Recovery stalled, leaders weak	Feb.
Ten countries (U.S. excl.)	3	2	1	2	-1	-3	-2	Expansion slowing, leaders weak	Feb.
North America (2)	3	-2	-1	-1	5	6	5	Recovery underway	Feb.
Europe (4)	2	1	1	2	2	0	2	Expansion resuming	Feb.
Pacific Region (5)	4	4	2	2	-5	-6	-6	Expansion continuing, leaders weak	Feb.
United States	3	-1	-1	-1	6	4	4	Recovery underway	Mar.
Canada	3	-2	0	-1	1	-3	-1	Recovery stalled, leaders weak	Feb.
West Germany	2	1	0	1	2	-1	1	Expansion slowing, leaders weak	Feb.
France	2	4	4	3	6	1	3	Expansion continuing	Jan./Feb.
United Kingdom	2	-4	-2	0	2	0	2	Recession stopping	Feb.
Italy	2	2	2	-1	2	0	1	Expansion stopped, leaders weak	Jan.
Japan	4	4	3	2	-7	-9	-8	Expansion slowing, leaders weak	Feb.
Korea, R.O.K.	7	6	3	3	8	7	6	Expansion continuing	Mar.
Australia	3	-6	-4	-1	1	1	4	Recession continuing, leaders improving	Mar.
New Zealand	2	-2	-1	0	3	5	7	Recession continuing, leaders improving	Dec./Mar.
Taiwan, R.O.C.	8	6	4	5	8	6	7	Expansion continuing	Mar.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Unexciting Uptilt

The global business cycle remains unexciting. Both indexes are flat for the 11-country composite, although each shows a very slight upward tilt. The most encouraging dimension of this month's report is the continued improvement in breadth. This month, the leading indexes of nine countries are advancing. The two exceptions are Canada and Japan (next page). Canada's weakness is minimal but the Japanese leading index still looks sour.

West Germany's numbers look a little bit better this month (page 5) and the gradual upswing in the U.S. leaders also seems to be firmly established. Also, in the United Kingdom, Australia and New Zealand, the leading indexes now have a slightly more encouraging look. In the aggregate, however, the world economy is moving very slowly.

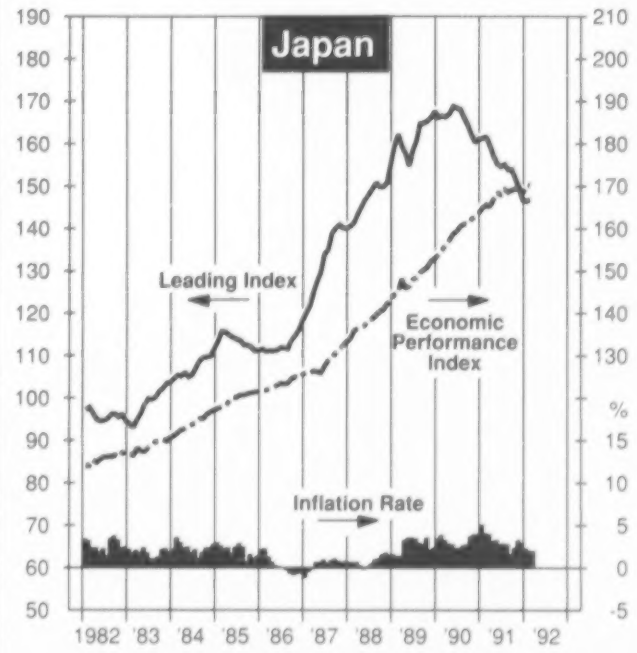
The 11-country inflation rate appears to be holding steady. The pattern had been slowing since the autumn of 1990, but may now be near or perhaps past its low point. At 3.4 percent, however, the rate seems unthreatening.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.1	3.3	3.4	Steady	Mar.
Ten countries (U.S. excl.)	5.2	3.3	3.7	3.3	Falling	Mar.
North America (2)	5.6	3.0	3.0	3.3	Steady	Mar.
Europe (4)	6.6	4.3	4.6	4.4	Steady	Mar.
Pacific Region (5)	3.4	1.9	3.1	2.4	Volatile	Mar.
United States	5.5	2.9	2.7	3.3	Rising	Apr.
Canada	6.5	3.8	1.5	1.3	Low and Falling	Mar.
West Germany	2.9	4.6	4.4	4.3	Steady	Mar.
France	7.3	2.6	3.4	3.5	Rising	Mar.
United Kingdom	7.3	4.0	4.7	4.3	Volatile	Mar.
Italy	11.2	5.6	6.1	5.1	Falling	Apr.
Japan	2.5	1.5	2.8	1.9	Low but Volatile	Mar.
Korea, R.O.K.	8.1	9.1	7.9	7.7	Falling	Mar.
Australia	8.4	1.8	2.0	1.9	Low and Steady	Feb.
New Zealand	11.8	1.4	0.2	1.1	Low but Volatile	Feb.
Taiwan, R.O.C.	4.4	0.7	5.0	5.2	Rising	Mar.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Countries

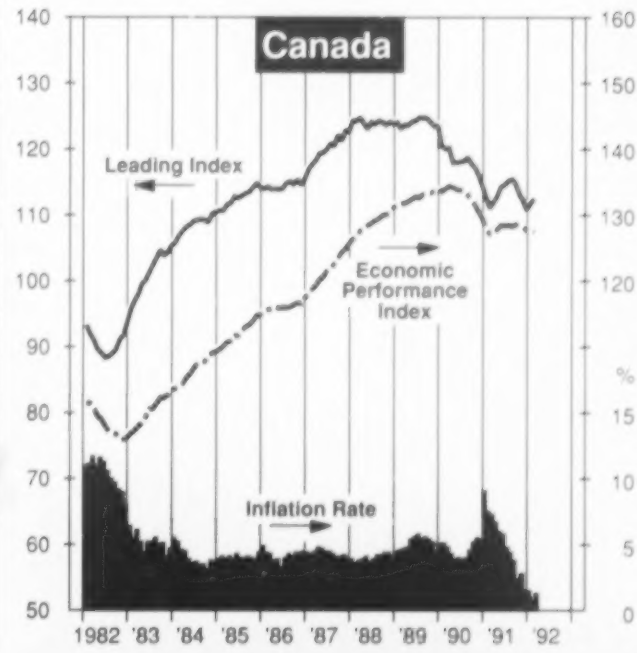


Still Sour

Japan's business cycle outlook is by far the most worrisome in the industrial world. This is true despite the continued slow advance in the performance index (which is in line with past experience during Japanese "recessions"), and despite the leveling off of the leading index in the latest two months. Nevertheless, the leaders still look very weak, especially stock prices, overtime hours, business failures and profit margins. The leading index has plunged 13 percent since its peak almost two years ago.

The Japanese government is also concerned. Accordingly, it is providing a little fiscal and monetary stimulus to the economy in the form of a cut in the central bank's discount rate on April 1 and a modest addition to public-works spending for the coming fiscal year.

At less than a 2 percent rate, inflation remains very well controlled.

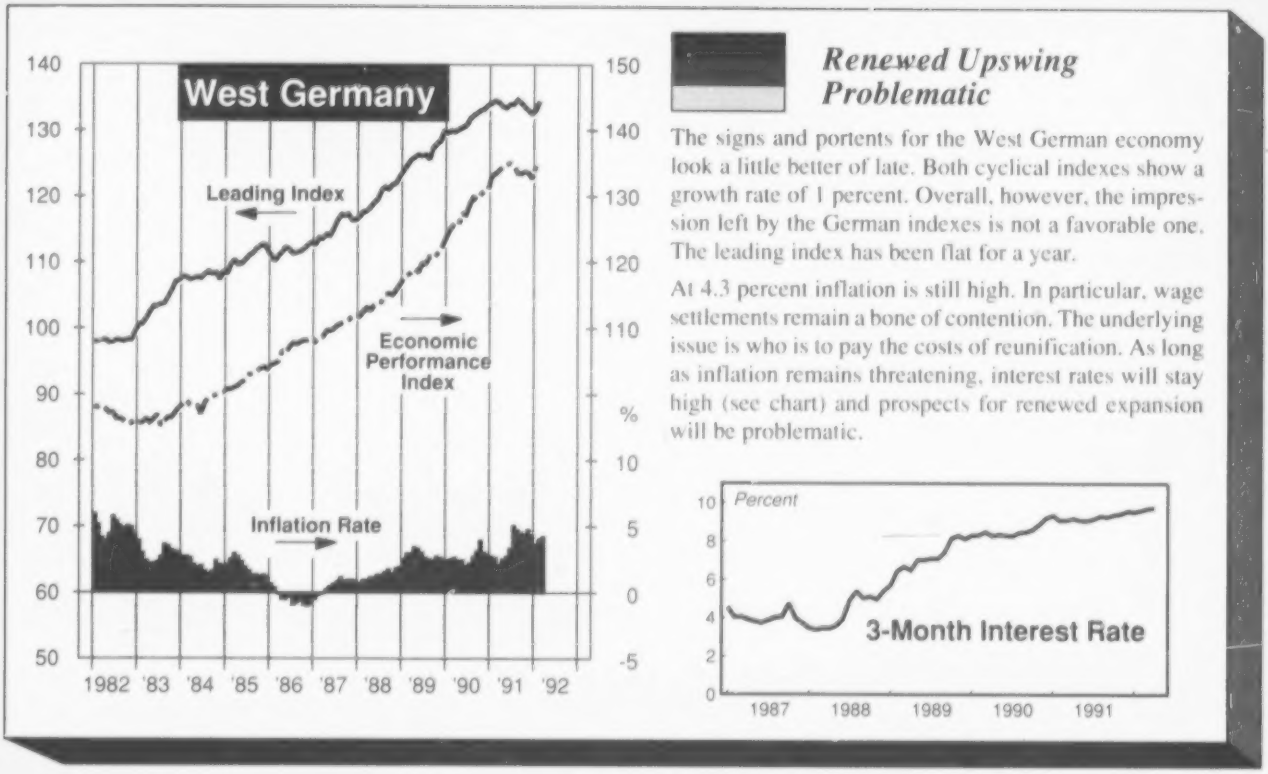


Disappointing Pattern

The Canadian economy continues to be disappointing, especially with the United States economy next door improving gradually. The Canadian performance index shows a slight downward tendency in recent months. Unemployment now exceeds 11 percent.

The leading index edged up in the latest month but, since it is only one percent above its low of February 1991, the overall pattern of the series does not build confidence. The Conference Board of Canada and other forecasters have been reducing their projections for recovery in 1992.

The inflation picture is very favorable. At 1.3 percent, the Canadian rate is the second lowest among the 11 countries. (New Zealand, at 1.1 percent, has the lowest rate.)



Renewed Upswing Problematic

The signs and portents for the West German economy look a little better of late. Both cyclical indexes show a growth rate of 1 percent. Overall, however, the impression left by the German indexes is not a favorable one. The leading index has been flat for a year.

At 4.3 percent inflation is still high. In particular, wage settlements remain a bone of contention. The underlying issue is who is to pay the costs of reunification. As long as inflation remains threatening, interest rates will stay high (see chart) and prospects for renewed expansion will be problematic.

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Jan.	91	136	136	145	138	123	132	134	125	166	162
Feb.	91	136	136	145	138	122	132	134	126	167	162
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Apr.	91	136	136	146	137	122	133	134	126	168	159
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June	91	137	137	147	137	122	136	135	127	169	157
July	91	137	138	147	138	122	138	135	127	170	158
Aug.	91	137	138	147	137	122	138	134	127	170	157
Sept.	91	137	139	147	137	122	139	134	127	170	157
Oct.	91	137	138	147	136	122	140	135	127	170	156
Nov.	91	137	138	147	135	122	140	135	126	170	154
Dec.	91	136	137	146	134	122	138	134	126	169	151
Jan.	92	137	138	148	135	121	139	135	126	172	152
Feb.	92	137	138	148	136	122	140	136	128	171	152

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct. 90	2	-3	4	-2	-2	-4	4	1	5	-5
Nov. 90	0	-4	3	-3	-4	-6	4	0	4	-6
Dec. 90	0	-4	3	-3	-5	-6	3	0	4	-5
Jan. 91	0	-4	4	-2	-7	-6	4	0	5	-4
Feb. 91	-1	-3	3	-2	-7	-5	2	0	5	-3
Mar. 91	-1	-3	2	-2	-7	-5	2	1	4	-4
Apr. 91	-1	-2	2	-2	-6	-3	2	2	4	-6
May 91	0	-2	3	-2	-5	-1	2	1	5	-7
June 91	0	0	2	-2	-4	2	2	2	4	-6
July 91	1	2	3	-1	-3	4	2	2	4	-5
Aug. 91	0	2	2	-1	-2	5	1	2	4	-5
Sept. 91	0	2	2	-1	-1	6	0	1	3	-4
Oct. 91	1	2	2	-2	-1	7	1	1	3	-5
Nov. 91	0	1	1	-3	-1	6	1	0	2	-6
Dec. 91	0	-1	0	-4	-1	4	0	-1	1	-8
Jan. 92	0	0	2	-3	-1	4	1	0	3	-7
Feb. 92	1	1	2	-2	-1	5	2	2	2	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	126	137	132	118	130	133	150	130	128	116	121	115	163	163	237	223	143	123	113	114	195	230
Nov.	90	124	135	131	116	130	133	149	130	127	115	121	114	164	161	239	233	141	124	113	114	194	236
Dec.	90	124	134	130	115	131	134	149	129	126	115	121	114	164	162	242	232	141	122	113	113	194	236
Jan.	91	122	134	128	113	133	134	150	130	126	114	122	114	166	162	248	236	142	122	113	113	196	239
Feb.	91	122	134	128	112	133	134	150	131	125	114	121	115	166	162	249	229	140	122	112	112	200	240
Mar.	91	121	134	128	112	134	134	150	132	125	115	122	115	166	160	250	232	138	122	112	112	199	243
Apr.	91	121	135	128	113	134	133	151	133	124	115	121	116	168	158	256	236	135	122	112	112	199	246
May	91	122	136	129	115	134	133	151	133	123	116	122	116	169	156	254	238	136	123	112	112	201	249
June	91	122	138	129	115	135	134	152	135	124	115	122	116	169	156	252	231	136	123	112	112	202	252
July	91	122	140	129	116	134	134	153	136	123	116	122	116	170	156	254	241	134	124	112	113	202	249
Aug.	91	122	140	129	116	133	134	153	136	123	115	122	115	170	155	257	243	137	124	111	114	203	251
Sept.	91	122	141	129	115	133	134	153	135	122	115	122	115	170	155	256	242	134	123	112	115	204	252
Oct.	91	122	142	129	114	133	133	154	135	123	115	123	115	170	152	258	252	135	124	113	116	205	254
Nov.	91	121	142	129	113	133	133	154	134	123	115	123	115	170	150	257	246	133	123	113	116	204	255
Dec.	91	121	141	128	111	132	132	154	133	123	115	121	115	169	148	257	239	134	123	112	116	205	255
Jan.	92	121	142	128	112	134	133	154	134	123	116	121	116	171	147	264	246	138	125		118	210	260
Feb.	92	121	143	128	113	135	134		136	123	116			171	148	262	246	135	125		117	208	260
Mar.	92	121	142													260	242	134	126		119	209	262
		Growth Rates, Percent																					
Oct.	90	-2	-4	-3	-4	7	4	6	0	0	-2	3	-3	7	-5	4	-2	-7	-5	1	-3	2	-5
Nov.	90	-4	-6	-4	-5	6	4	5	0	-1	-4	2	-4	6	-7	4	6	-9	-3	0	-4	1	0
Dec.	90	-5	-6	-5	-7	6	4	4	-1	-2	-4	3	-3	6	-6	6	4	-8	-4	0	-4	0	0
Jan.	91	-6	-6	-7	-8	7	4	5	0	-3	-4	3	-3	7	-5	10	7	-7	-4	-1	-4	3	2
Feb.	91	-7	-5	-7	-10	7	4	3	1	-4	-4	2	-2	6	-4	9	0	-8	-3	-1	-4	6	3
Mar.	91	-7	-5	-6	-7	6	3	3	2	-4	-2	3	-1	5	-6	8	2	-10	-3	-1	-4	4	6
Apr.	91	-6	-3	-5	-5	6	2	3	4	-5	-2	0	1	6	-8	12	6	-12	-2	-1	-3	5	8
May	91	-5	-1	-3	-2	6	1	3	4	-5	-1	2	1	7	-9	9	6	-10	0	-1	-3	6	10
June	91	-4	2	-3	-1	5	1	3	6	-4	-1	2	1	5	-8	6	0	-7	0	-2	-2	6	12
July	91	-3	5	-2	0	4	1	4	6	-4	1	2	2	6	-7	7	8	-8	1	-2	0	5	8
Aug.	91	-2	6	-2	1	1	2	4	6	-4	0	2	0	4	-7	8	8	-4	1	-2	1	5	9
Sept.	91	-1	6	-1	0	1	1	3	5	-4	-1	0	0	4	-6	6	7	-6	1	-1	3	6	8
Oct.	91	-1	7	0	-2	1	-1	4	4	-3	0	2	0	4	-7	6	14	-4	1	1	5	6	6
Nov.	91	-1	7	0	-3	0	-1	3	1	-2	0	2	0	3	-9	4	7	-6	0	1	6	4	6
Dec.	91	-1	4	-1	-4	-1	-2	2	0	-2	-1	-2	0	1	-11	3	1	-4	1	0	5	4	6
Jan.	92	-1	5	-1	-2	1	-1	3	1	-1	1	-1	1	3	-10	8	6	2	4		7	8	8
Feb.	92	-1	5	-1	-1	1	1		3	0	2			2	-8	5	5	-1	3		5	5	7
Mar.	92	-1	4													3	1	-1	4		7	5	7
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 14, Number 6 June 1992

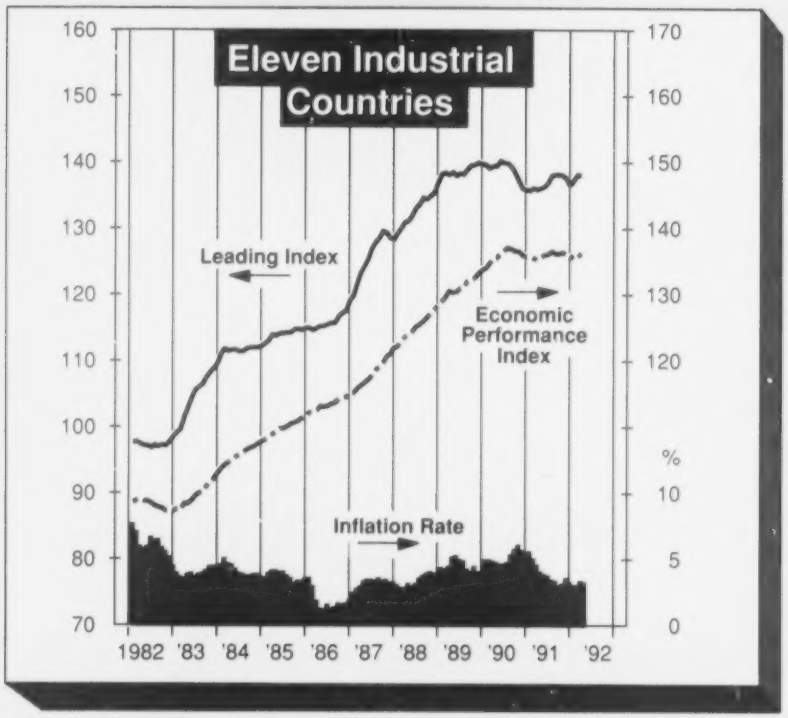
International Economic Scoreboard™

INSIDE:

- **U.S. Leading Index Shows Steady Gains**
- **Japan Early Movers Continue to Wilt**
- **West German Signs Go Limp**
- **Inflation Threat Subdued**

Serving Business and Society Since 1916

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	-1	0	2	0	1	Recovery stalled, leaders weak	Mar.
Ten countries (U.S. excl.)	3	2	0	0	-1	-4	-2	Expansion stalled, leaders weak	Mar.
North America (2)	3	-2	-2	0	6	5	5	Recovery underway	Mar.
Europe (4)	2	0	-1	0	1	-1	0	Expansion stalled, leaders weak	Mar.
Pacific Region (5)	4	3	1	-1	-4	-8	-6	Expansion stalled, leaders weak	Mar.
United States	3	-1	-1	0	7	6	5	Recovery underway	Apr.
Canada	3	-1	-1	-1	0	-4	0	Recovery stalled, leaders weak	Mar.
West Germany	2	1	-2	0	1	-3	-4	Expansion stopped, leaders weak	Mar.
France	2	3	2	1	3	1	3	Expansion slowing	Mar./Apr.
United Kingdom	2	-4	-4	-2	-1	-1	0	Recession continuing, leaders weak	Mar.
Italy	2	2	2	-1	2	0	1	Expansion stopped, leaders weak	Jan.
Japan	4	4	1	-1	-6	-11	-8	Expansion stalled, leaders weak	Mar.
Korea, R.O.K.	7	6	9	4	14	6	-4	Expansion slowing, leaders weak	Apr.
Australia	3	-4	1	1	1	3	5	Recession ending, leaders improving	Apr.
New Zealand	2	-2	-1	0	3	5	7	Recession ending, leaders improving	Dec./Mar.
Taiwan, R.O.C.	8	6	4	5	8	6	7	Expansion continuing	Mar.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Going Their Separate Ways

The direction of our 11-nation performance and leading indexes shows the global business cycle expanding at a very slow pace. But a look within the aggregates reveals very little in the way of a common pattern among the 11 industrial countries. In particular, the leading indexes of the Big Three countries are going their separate ways rather decisively. The United States' leaders are moving encouragingly higher, while the West German leading index has turned down for the first time in recent years, and the Japanese leaders continue to show pronounced weakness.

Elsewhere the pattern is equally disparate. Taiwan continues to show vigorous growth. The leading indexes for Australia and New Zealand show further signs of a recovery getting underway. The French indexes are still, by a narrow margin, on the positive side of the ledger. Italy and Canada appear rather sluggish. The Korean leading index weakened significantly in March and April. Overall, therefore, the "global" pattern is a highly mixed picture.

Inflation is holding steady at a moderate pace in almost all countries. The rates range from 1.1 percent in New Zealand to 6.9 percent in Korea—an unusually narrow spread—for an average of 3.3 percent. Over the past 6 months, inflation has been steady or slowing everywhere but in Taiwan.

Summary of Inflation Rates, Eleven Industrial Countries

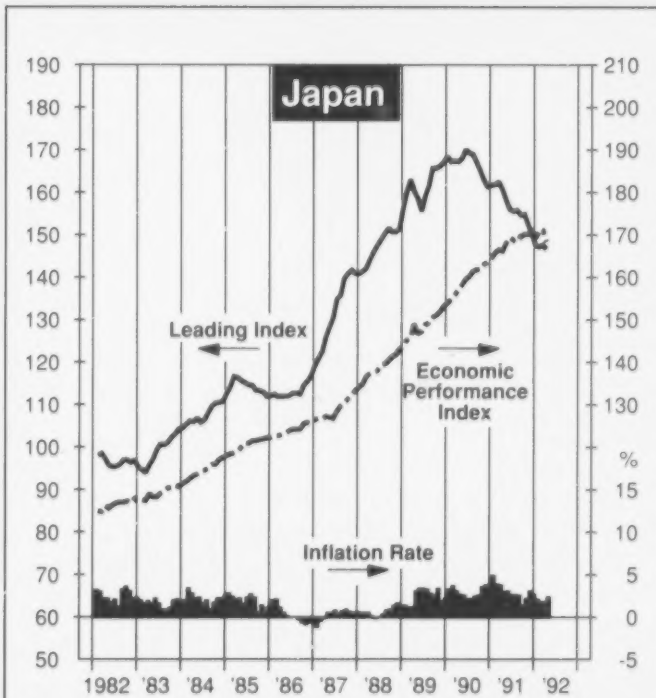
	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.2	3.1	3.3	Steady	Apr.
Ten countries (U.S. excl.)	5.2	3.4	3.3	3.3	Steady	Apr.
North America (2)	5.6	2.9	2.6	3.1	Steady	Apr.
Europe (4)	6.6	4.1	4.2	4.0	Steady	Apr.
Pacific Region (5)	3.4	2.6	2.5	2.7	Steady	Apr.
United States	5.5	3.2	2.9	3.1	Steady	May
Canada	6.5	2.4	1.5	1.6	Low and Falling	Apr.
West Germany	2.9	4.8	4.1	3.6	Falling	May
France	7.3	3.0	3.2	3.0	Steady	Apr.
United Kingdom	7.3	3.7	4.0	4.0	Steady	Apr.
Italy	11.2	5.6	6.1	5.1	Falling	Apr.
Japan	2.5	2.3	2.2	2.5	Steady	Apr.
Korea, R.O.K.	8.1	8.8	7.5	6.9	Falling	Apr.
Australia	8.4	1.8	2.0	1.9	Low and Steady	Feb.
New Zealand	11.8	1.4	0.2	1.1	Low but Volatile	Feb.
Taiwan, R.O.C.	4.4	0.7	5.0	5.2	Rising	Mar.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Countries

Solid Gains For Leaders

The U.S. leading index continues to record steady progress—gains that are less than spectacular, but quite respectable. These gains in the leaders, however, have yet to be translated into anything more than halting progress in the economic performance index. A clear example is the continued rise in unemployment and the hesitant increase in payroll employment (both components of the performance index) in recent months, despite a very strong and extended climb in the manufacturing workweek, which in the past has been a reliable advance indicator of improvement in the major labor market series. Further solid gains in employment are suggested for the months ahead, but on the basis of past business cycles we might have expected to see more gains by now.

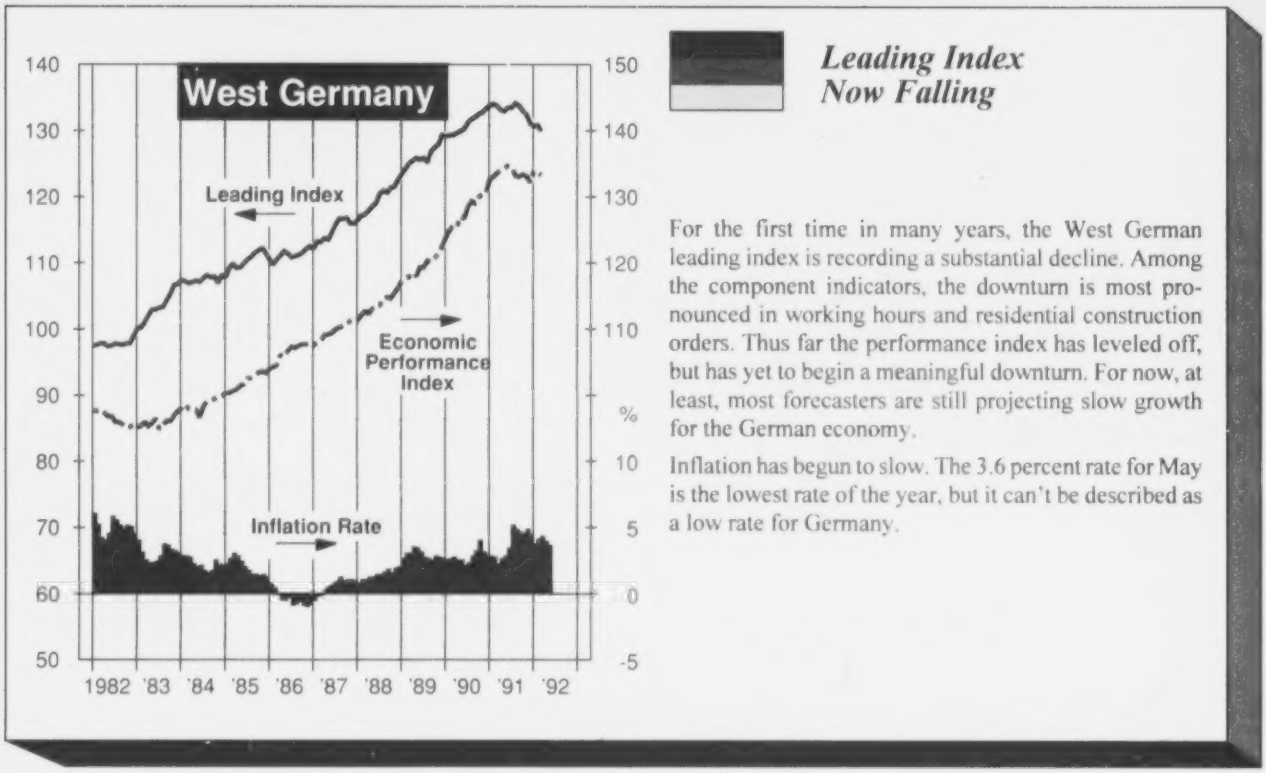


Japanese Sentiment in a Blue Funk

The early moving indicators for the Japanese economy continue to look soggy, especially overtime hours in manufacturing, common stock prices, and profit margins. In addition, with industrial production and retail sales dropping sharply, the performance index fell 3 points in March and now shows a negative rate of change for the first time in many years.

The Japanese Economic Planning Agency reports that a "diffusion index" of leading indicators showed 59 percent of the component series declining—above the even-keel 50 percent mark for 19 consecutive months—and that a diffusion index of coincident (performance) indicators showed 78 percent of the components declining—above the 50 percent mark for 13 straight months now. Accordingly, the cyclical weakness in Japan is quite widespread.

The stock market hit a new (5½ year) low in June. Along with the market, economic confidence has posted a sharp decline, not only in the financial markets but among other business executives as well. This suggests that further weakness in capital spending lies ahead.



Leading Index Now Falling

For the first time in many years, the West German leading index is recording a substantial decline. Among the component indicators, the downturn is most pronounced in working hours and residential construction orders. Thus far the performance index has leveled off, but has yet to begin a meaningful downturn. For now, at least, most forecasters are still projecting slow growth for the German economy.

Inflation has begun to slow. The 3.6 percent rate for May is the lowest rate of the year, but it can't be described as a low rate for Germany.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries,* Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	137	138	144	138	126	135	133	125	164	162
Nov.	90	136	136	144	138	125	133	133	125	164	162
Dec.	90	136	136	145	138	124	133	133	125	165	162
Jan.	91	136	136	145	138	123	132	134	125	166	162
Feb.	91	136	136	145	138	122	132	134	125	167	162
Mar.	91	136	136	146	138	122	132	134	126	167	161
Apr.	91	136	136	146	137	122	133	134	126	168	159
May	91	136	137	146	137	122	135	134	126	169	158
June	91	136	137	147	137	122	136	135	127	169	157
July	91	137	138	147	138	122	138	135	127	170	158
Aug.	91	137	138	147	137	122	138	134	127	170	157
Sept.	91	137	138	147	137	122	139	134	127	170	157
Oct.	91	137	138	147	136	122	140	135	128	170	156
Nov.	91	136	138	147	135	122	140	134	128	170	154
Dec.	91	136	137	146	134	121	139	134	125	169	151
Jan.	92	136	138	147	134	121	140	134	126	171	152
Feb.	92	137	138	147	135	122	141	135	126	171	152
Mar.	92	136	138	146	135	122	142	134	127	169	151

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	2	-3	4	-2	-2	-4	4	1	5	-5
	1	-4	3	-3	-4	-6	4	0	4	-6
	0	-4	3	-3	-5	-6	3	0	4	-5
	0	-4	4	-2	-6	-6	4	0	5	-4
	-1	-3	3	-2	-7	-5	2	0	5	-3
	-1	-3	2	-2	-7	-5	3	1	4	-4
	0	-2	3	-2	-6	-3	2	1	5	-6
	0	-2	3	-2	-5	-1	2	1	5	-7
	0	0	2	-2	-4	2	2	2	4	-6
	0	1	3	-1	-3	4	2	2	4	-5
	0	2	2	-1	-2	5	1	2	4	-5
	0	2	2	-1	-2	6	0	1	3	-4
	1	2	2	-2	-1	7	1	1	3	-5
	0	1	1	-3	-2	6	0	0	2	-6
	-1	0	0	-4	-2	5	-1	-1	1	-8
	0	0	1	-4	-1	6	0	-1	3	-7
	0	1	1	-2	0	6	0	0	2	-6
	0	1	0	-2	0	5	0	0	-1	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	91	122	134	128	113	133	134	150	130	126	114	122	114	166	162	248	236	142	122	113	113	196	239
Feb.	91	122	134	128	112	133	134	150	130	125	114	121	115	166	162	249	229	140	122	112	112	200	240
Mar.	91	121	134	128	112	134	134	150	132	125	115	122	115	166	161	250	232	138	122	112	112	199	243
Apr.	91	121	135	128	113	134	133	151	133	124	115	121	116	168	158	256	236	135	122	112	112	199	246
May	91	121	136	129	115	134	133	151	133	123	116	122	116	169	156	254	238	136	123	112	112	201	249
June	91	122	138	129	115	135	134	152	135	124	115	122	116	169	156	252	231	136	123	112	112	202	252
July	91	122	140	129	116	135	134	153	136	123	116	122	116	170	156	254	241	134	124	112	113	202	249
Aug.	91	122	140	129	116	133	134	153	136	123	115	122	115	170	155	257	243	137	124	111	114	203	251
Sept.	91	122	141	129	115	133	134	153	135	122	115	122	115	170	155	256	242	134	123	112	115	204	252
Oct.	91	121	142	129	114	134	133	154	135	122	115	123	115	170	152	258	252	135	124	113	116	205	254
Nov.	91	121	142	129	113	133	133	154	134	122	115	123	115	170	150	257	246	133	123	113	116	204	255
Dec.	91	120	142	128	111	132	131	154	133	121	115	121	115	169	148	259	239	134	123	112	116	205	255
Jan.	92	120	143	128	112	134	131	154	134	121	116	121	116	171	147	266	246	137	125		118	210	260
Feb.	92	121	144	128	113	134	131	154	135	122	117			171	148	266	238	135	125		117	208	260
Mar.	92	121	144	128	114	133	130	153	137	121	116			168	147	265	235	135	126		119	209	262
Apr.	92	121	144						137							264	235	136	127				
		Growth Rates, Percent																					
Jan.	91	-6	-6	-7	-8	8	4	5	-1	-3	-4	3	-3	7	-5	10	7	-7	-4	-1	-4	3	2
Feb.	91	-7	-5	-7	-10	7	4	3	0	-4	-4	2	-2	6	-4	9	0	-8	-2	-1	-4	6	3
Mar.	91	-7	-5	-7	-8	6	3	3	2	-4	-2	3	-1	5	-5	8	2	-10	-3	-1	-4	4	6
Apr.	91	-6	-3	-5	-5	6	2	3	3	-5	-2	0	1	6	-7	12	6	-12	-2	-1	-3	5	8
May	91	-5	0	-3	-2	6	1	2	3	-5	-1	2	1	7	-9	9	6	-10	0	-1	-3	6	10
June	91	-4	2	-3	-1	5	1	3	5	-4	-1	2	1	5	-8	6	0	-8	0	-2	-2	6	12
July	91	-3	5	-2	0	4	1	4	6	-4	1	2	2	6	-7	7	8	-9	1	-2	0	5	8
Aug	91	-3	6	-2	1	1	2	4	6	-4	0	2	0	4	-7	8	8	-4	2	-2	1	5	9
Sept.	91	-2	6	-1	0	1	1	3	4	-4	-1	0	0	4	-6	6	7	-6	1	-1	3	6	8
Oct.	91	-1	7	0	-2	1	-1	4	3	-4	0	2	0	3	-7	6	14	-4	1	1	5	6	8
Nov.	91	-2	7	0	-3	0	-1	3	1	-3	0	2	0	3	-9	4	7	-5	0	1	6	4	8
Dec.	91	-2	5	-1	-4	-2	-3	2	0	-4	-1	-2	0	1	-11	5	1	-4	1	0	5	4	6
Jan.	92	-1	6	0	-2	0	-4	3	1	-3	1	-1	1	2	-10	9	6	1	3		7	8	8
Feb.	92	0	7	-1	-1	0	-3	2	2	-2	2			2	-8	8	-1	0	3		5	5	7
Mar.	92	0	6	-1	0	0	-4	1	4	-2	0			-1	-8	6	-4	-1	4		7	5	7
Apr.	92	0	5						3							4	-4	1	5				
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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Volume 14, Number 7 July 1992

International Economic Scoreboard™

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- **Global Cycle a Bit Fuzzy**
- **Another Plunge for Japanese Leading Index**
- **English-Speaking Countries Slow on the Upswing**
- **Inflation Story Favorable**

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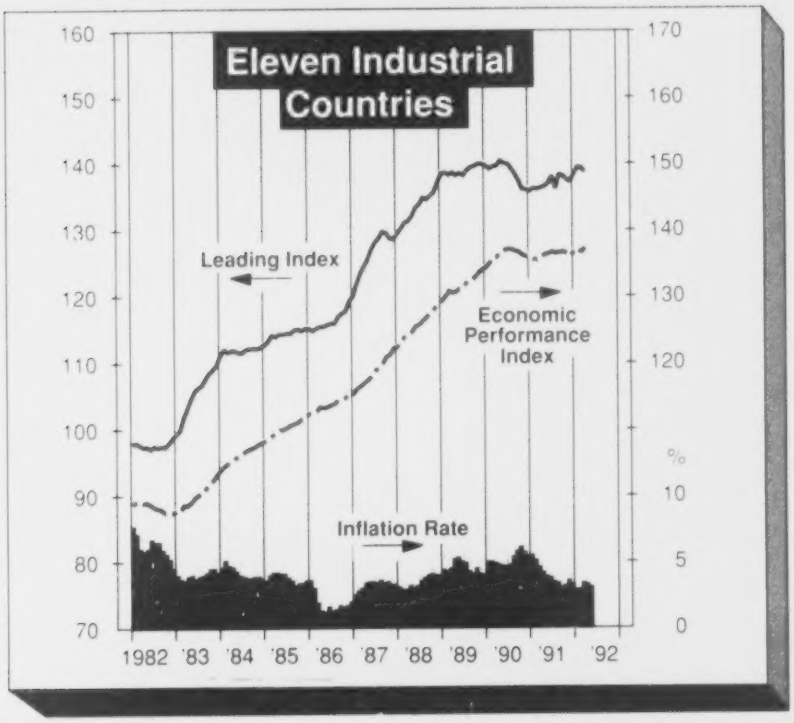
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	1	1	1	2	2	1	Recovery stalled, leaders weak	Apr.
Ten countries (U.S. excl.)	3	2	2	2	-2	-2	-3	Expansion stalled, leaders weak	Apr.
North America (2)	3	-1	-1	0	7	7	6	Recovery underway	Apr.
Europe (4)	2	1	1	2	1	1	2	Expansion continuing	Apr.
Pacific Region (5)	4	3	3	2	-5	-6	-8	Expansion stalled, leaders weak	Apr.
United States	3	-1	0	0	7	8	6	Recovery underway	May
Canada	3	0	0	-1	0	0	-1	Recovery stalled, leaders weak	Apr.
West Germany	2	1	1	0	-1	0	1	Expansion stopped, leaders weak	Apr.
France	2	4	2	3	3	1	3	Expansion continuing	Apr.
United Kingdom	2	-4	-3	-1	0	0	2	Recession continuing, leaders improving	Apr.
Italy	2	2	2	4	0	1	0	Expansion resuming, leaders weak	Feb./Apr.
Japan	4	4	3	1	-7	-8	-11	Expansion stalled, leaders weak	Apr.
Korea, R.O.K.	7	5	6	3	6	1	0	Expansion slowing, leaders weak	May
Australia	3	-5	0	0	0	3	4	Recession ending, leaders improving	May
New Zealand	2	-1	0	2	5	8	8	Recovery underway, leaders improving	Mar./Apr.
Taiwan, R.O.C.	8	6	8	6	8	8	6	Expansion continuing	Apr.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Cyclical Ambivalence

The shape of the global business cycle seems a little fuzzy these days. Yes, there was a clear downturn in both indexes back in 1990. And yes, the 11-nation leading index has a gentle uptilt to it over the past year, and the same can be said—except even more modestly—for the performance index. But neither index looks like a real recovery is underway.

In fact, that ambivalence about a cyclical recovery is an accurate reading of the current situation. First, there never is a single global cycle in the sense of all industrial nations moving into expansions and contractions simultaneously. Second, the Big Three are almost completely out of synch this time, with the United States embarked upon a weak recovery, Japan in the slowdown or contraction phase of the cycle, and Germany—well, for Germany your guess is as good as ours.

One aspect of the global economy in the 1990s is that, with only a few exceptions, inflation slowed noticeably in 1991 and has leveled off at a not-alarming 3 percent rate in the first half of 1992. At the latest readings, we have four countries-Japan, Canada, Australia and New Zealand-with inflation below 2 percent, and no country with an inflation rate above 6 percent. By the standards of recent years, that's a highly favorable report.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.6	2.9	3.1	Steady	May
Ten countries (U.S. excl.)	5.2	3.9	3.1	3.2	Steady	May
North America (2)	5.6	3.2	2.7	2.9	Steady	May
Europe (4)	6.6	4.6	4.1	4.2	Steady	May
Pacific Region (5)	3.4	3.4	2.3	2.3	Falling	May
United States	5.5	3.0	3.5	3.2	Steady	June
Canada	6.5	2.8	0.9	1.1	Low but Volatile	May
West Germany	2.9	4.8	4.1	4.0	Falling	May
France	7.3	3.0	3.2	3.0	Steady	Apr.
United Kingdom	7.3	4.2	4.0	4.3	Steady	May
Italy	11.2	5.8	5.2	5.4	Steady	June
Japan	2.5	3.2	1.9	1.9	Low and Falling	May
Korea, R.O.K.	8.1	8.2	6.4	5.8	Falling	June
Australia	8.4	1.8	2.0	1.9	Low and Steady	Feb.
New Zealand	11.8	1.4	0.2	1.1	Low but Volatile	Feb.
Taiwan, R.O.C.	4.4	5.5	5.8	5.8	Steady	May

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Japan's Falling Stock Market—Will It Sabotage Ours?

by
George L. Perry

Do stock markets in different countries influence one another? These days the question is not an academic one for American investors. For several years through 1989, Japanese stock prices soared beyond any levels that experience with Western markets would have predicted. They have fallen since then, with only a few sharp upswings along the way. As of mid-July, the broad Nikkei average was less than half its peak value, and many individual stocks have fared much worse. It remains to be seen whether the stock price decline contributes to a slump in the real economy of Japan—perhaps by impairing the lending capacity of banks and insurance companies with huge losses in their stock portfolios.

One sign that the worst may be over is that optimistic U.S. investors, using conventional valuation measures, believe Japan's stocks have reached bargain levels. But this judgment is chancy, both because it rests on nearly impenetrable Japanese accounting and institutional practices and because markets often overshoot the levels dictated by economic fundamentals even when these are readily understood. (Wall Street, by the way, has a maxim warning those who think they can find the bottom of a slide like the Tokyo market's: Don't try to catch a falling knife.")

More pessimistic investors worry that the collapse in the Japanese market could spread to the United States. Supporting this fear are studies that have found positive correlations among the movements of markets in different countries. The main changes in Japanese fundamentals over the past few years, however, have been distinctly their own. One big change was in interest rates. The pre-1989 runup in the prices of Japanese stocks (and land) came in part from the extraordinarily low interest rates maintained throughout most of the 1980s by the Bank of Japan. Starting in late 1989 a new central bank chairman let Japanese rates rise until they were more nearly in line with those in other industrial nations—in large part to head off still further runups in asset prices. The new rates were hardly draconian. But they were a big change from the near-zero real rates of the 1980s, and they contributed directly to the steep decline in stock prices by putting a bigger discount on future earnings of firms.

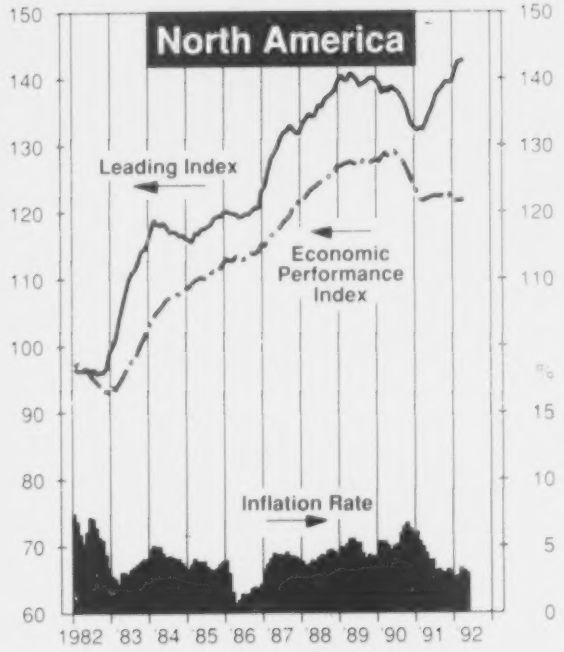
A second change in fundamentals followed the interest rate change. Part of the stunning success of Japanese manufacturing in the 1980s had come from the low cost of capital. As Japanese firms began to confront borrowing costs and price-earnings multiples much more like those in the West, they lost the big competitive edge that low capital costs had provided them. For this reason, and because of growing Western political resistance to Japanese trade practices, analysts have lowered projected sales and earnings of Japanese firms.

Thus the drop in Japanese stock prices was associated both with lower projected future earnings and with a higher discount rate applied to those future earnings. Neither change has a parallel in the U.S. economy. If anything, U.S. interest rates and growth prospects have moved in opposite directions to Japan's. So there is no basis for similar stock price movements based on similar changes in fundamentals.

Pure price contagion, the second possible source of correlation, seems dubious in general and is especially unlikely when one market's investors are a relatively small factor in the other market. And despite frequent assertions to the contrary, we have not become dependent on Japanese investment dollars. In the peak year, 1987 Japanese investors made net purchases of $11 billion of U.S. stocks. Since then, their net purchases have averaged about $1 billion a year. This activity is dwarfed by inflows to U.S. stock mutual funds, which came to $20 billion in the first quarter of this year alone.

So the U.S. market is no more likely to be pulled down by Japan's via contagion than it is through common fundamentals. If we get a major decline in stock prices here in the United States, it will be homegrown, not made in Japan.

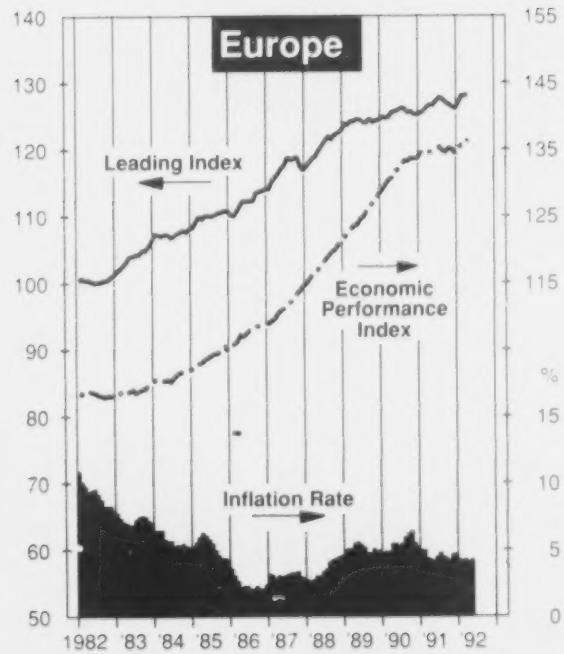
Excerpted from The Brookings Review, Summer 1992. George L. Perry is a senior fellow in the Brookings Economic Studies program and co-editor of its journal, Brookings Papers on Economic Activity.

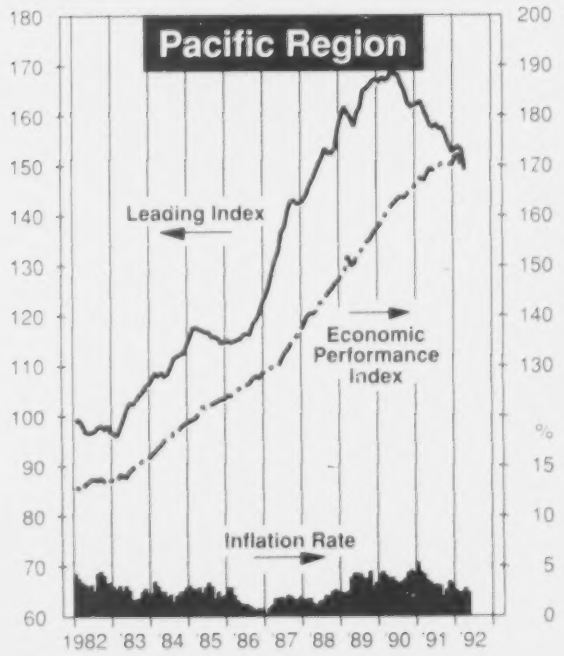


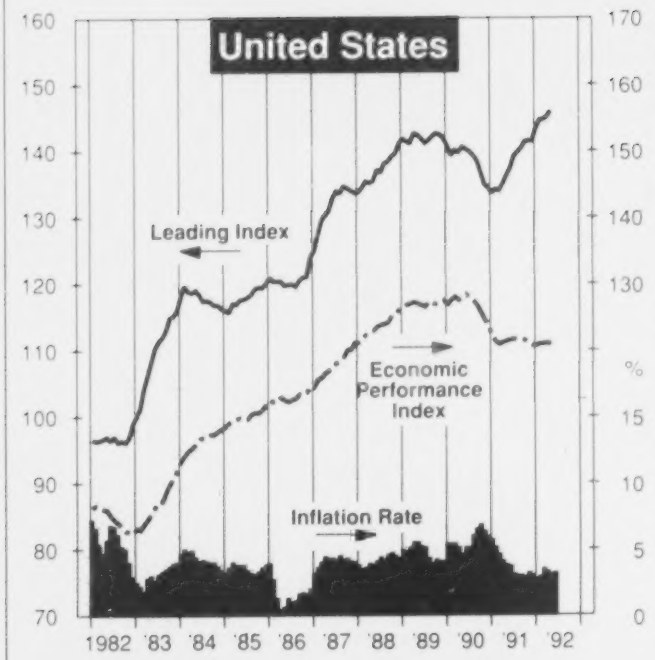
Mixed Bag

The widely different cyclical patterns of the major industrial nations are clearly visible in the regional indexes charted on this page. In North America, dominated by the United States, the economic upswing that is clearly signaled by the leading index is having a very hard time getting started. In the Pacific Region, dominated by Japan, growth has slowed way down but the plunge in the leading index has not—at least not yet—led to an actual downturn in economic activity. And in Europe, both indexes show a slowing of the expansion, but no contraction has been signaled.

Although the business cycle is not in synch around the world, the improvement in the inflation picture is clearly visible in all three regions. The Pacific Region, where the average increase in prices has slowed to 2.3 percent, down a full point from a year ago, has the best record. North America is doing pretty well also, at 2.9 percent, also down a percentage point from a year ago. Europe, which shows the fewest signs of a business cycle, also shows the least progress on inflation. Its rate is 4.2 percent at last report, down from late 1990 when the surge in oil prices boosted inflation, but essentially unchanged from 12 months ago.





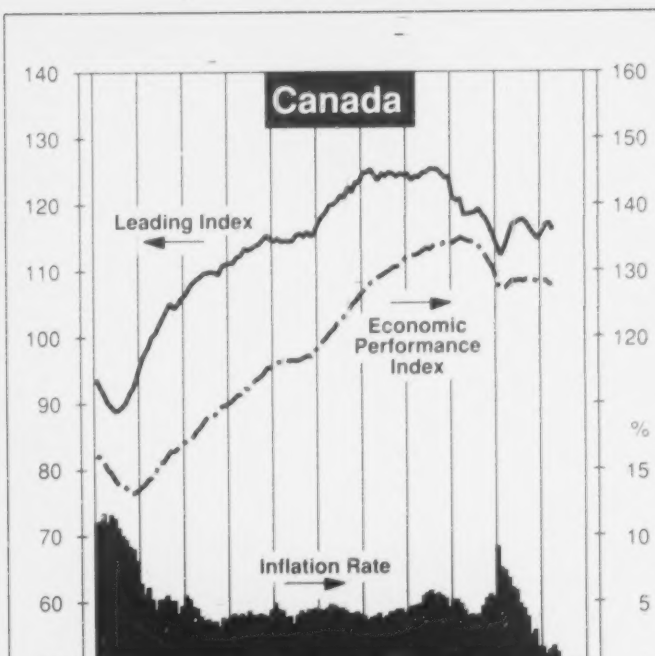


The Enigma Persists

The enigmatic pattern of the two U.S. cyclical indexes persists. The leading index continues to rise quite nicely, pointing toward cyclical recovery. Yet the performance index goes nowhere.

This pattern is repeated (in a rough way) in the other English-speaking countries—Canada, the United Kingdom, Australia and New Zealand. In each case, the leading index suggests that by now somewhat more cyclical recovery should have taken place than the economy has in fact delivered. If there is a common reason for this, it has not revealed itself.

The U.S. inflation rate, 3.2 percent, has been generally stable for almost a year.

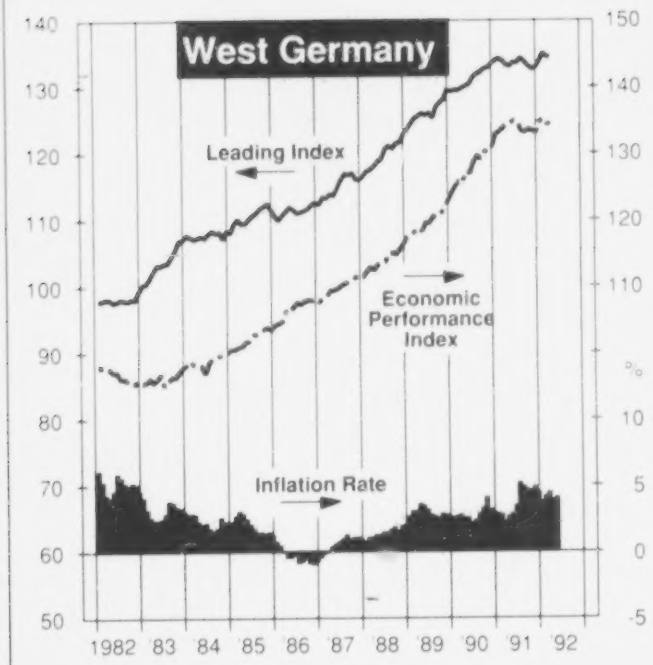


Going Nowhere

The Canadian performance index has been flat for over a year now. Unemployment, around 11 percent, has been particularly weak. The leading index has fluctuated erratically, not really getting anywhere.

Both indexes, then, are in line with the consensus forecast for Canada in 1992, which calls for very modest economic growth—in the range of 1-2 percent. Inflation continues to be very well behaved.

The constitutional debate in the country and Quebec's referendum in October are a continuing source of uncertainty for economic planning.

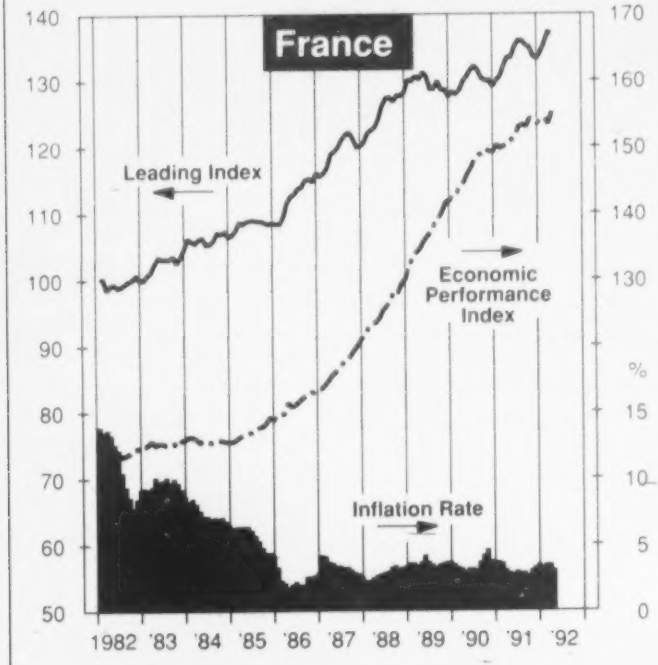


Inflation Worries Persist

Both West German indexes have been generally flat over the past year with a very slight upward tilt. No clear movement of the economy is indicated, in either direction.

Inflation has been improving very slowly recently, but is still worrisomely high. In addition, money growth is well above its targets. As part of the fight against inflation, the Bundesbank recently raised the discount rate from 8 to 8-3/4 percent. This pushed the D-mark still higher against the dollar, making it tougher for German companies to compete against American producers in world markets.

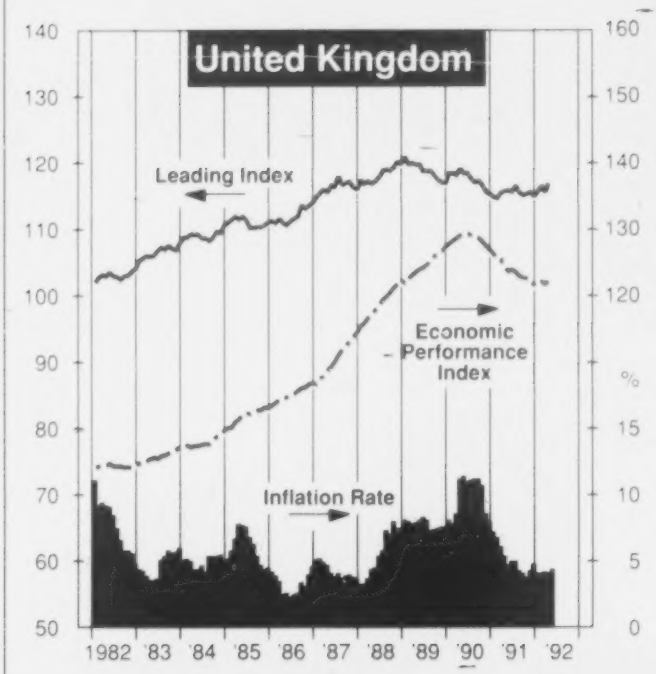
On the other main policy front, the German government would like to rein in the budget deficit, but the task is even more difficult than usual in light of the needs in the eastern part of the country.



A Positive View

The French economy looks positive. Both indexes are advancing—not vigorously but fairly steadily. Inflation has been stable around 3 percent.

GDP growth is expected to be about 2 percent this year, boosted by rising exports. One sour note in the economy is an unemployment rate that reached 10 percent in April. A more encouraging statistic is the fiscal deficit of about 2.2 percent of GDP, the lowest among the large European countries.



Still Down

The British economy still appears to be on the downside of the business cycle. Unemployment has been particularly weak.

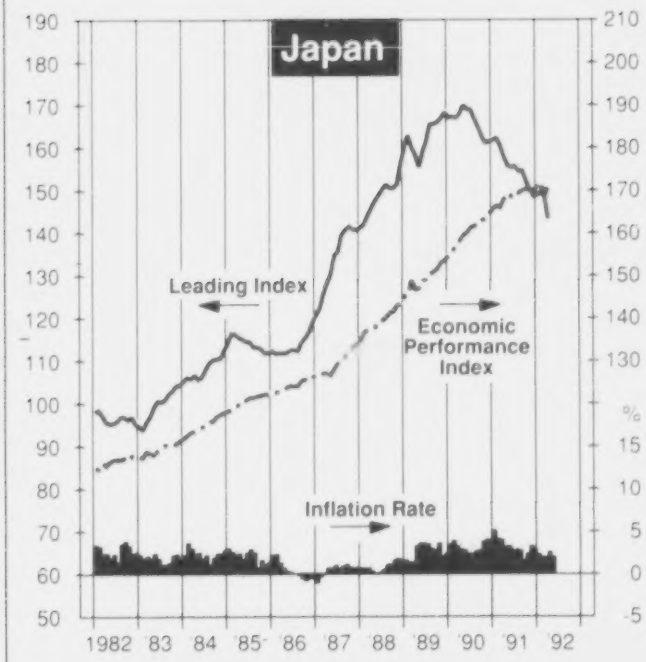
The leading index is on the upgrade, but very slowly. The manufacturing workweek has moved up recently, along with common stock prices and profit margins. Housing starts are down, however, and also new construction orders. On balance, therefore, the early moving series are not pointing strongly to an early cyclical recovery. Correspondingly, most forecasts of the U.K. economy call for no growth in GDP for this year.

At 4.3 percent, the British inflation rate has held fairly steady over the past half year.

Doubtful Prospects

In a couple of ways, the Italian economy is having a reasonably good year. The performance index shows that economic expansion continues at a respectable (4 percent) pace. And inflation, 5-1/2 percent, is at its slowest pace since early 1988.

As is so often the case in Italy, however, other important statistics are less encouraging. The leading index has been going nowhere for more than a year, not pointing to a downturn, but raising questions about the staying power of the respectable growth rate. The government budget deficit is projected at more than 11 percent of GDP. And the Bank of Italy recently raised its discount rate to 13.75 percent—a dramatic eight and a quarter percentage points above the inflation rate. Evidently many investors are doubtful about prospects for the Italian economy.

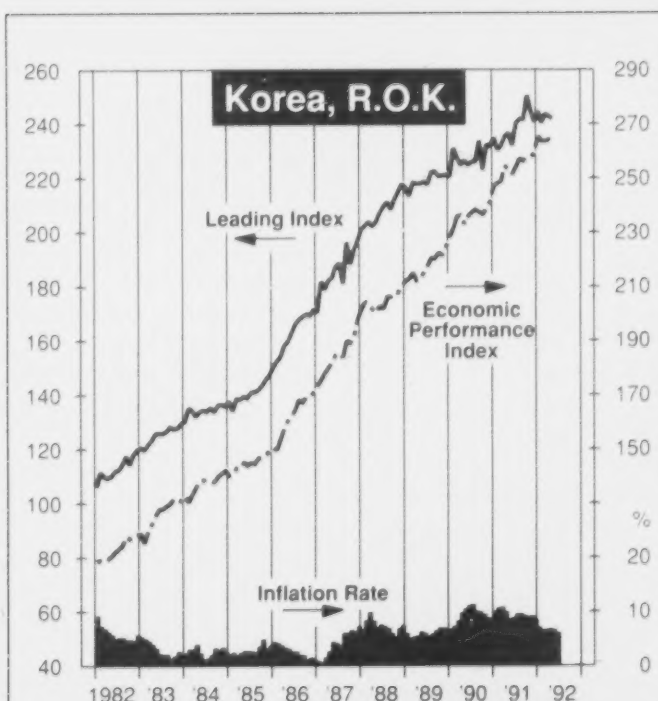


Another Plunge For The Leaders

Questions about the Japanese business cycle are as pressing as ever. Industrial production has fallen sharply, but otherwise the broad measures of Japanese economic activity, including the performance index charted here, show no actual downturn.

The leading index, however, took another big dip at the latest reading. The component series that make up the index are almost unanimous in sending negative signals, including especially the stock market (see page 4). Most forecasts for 1992 show GDP growing at 2 or 2-1/2 percent, but the abundance of pessimistic signals makes it difficult to believe that the downturn can be limited to the industrial sector of the economy.

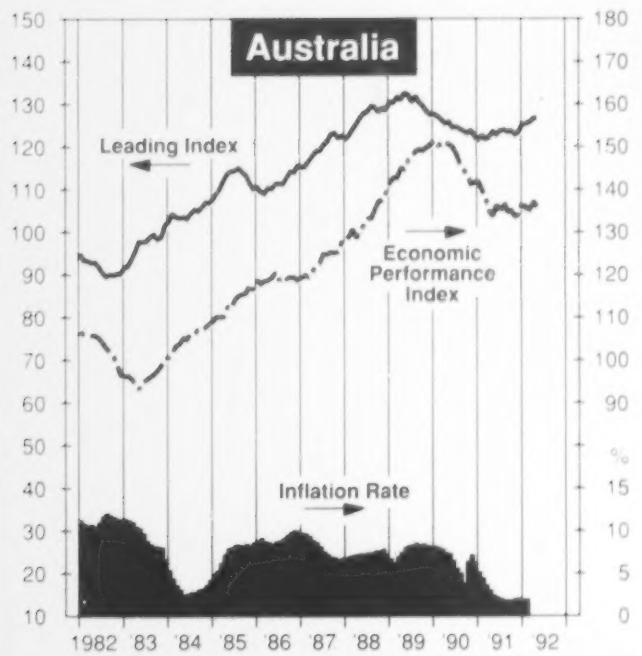
Not surprisingly, inflation remains very subdued.



Cyclical Doubt

The Korean indexes have, just very recently, begun to cast doubt on prospects for continued cyclical expansion. The leading index has leveled off since late last fall, and the performance index now shows a similar pattern starting in February.

One source of restraint is the nation's central bank, which recently responded to above-target monetary growth by tightening liquidity conditions. Although inflation has been slowing of late, it remains at 5.8 percent at latest reading.

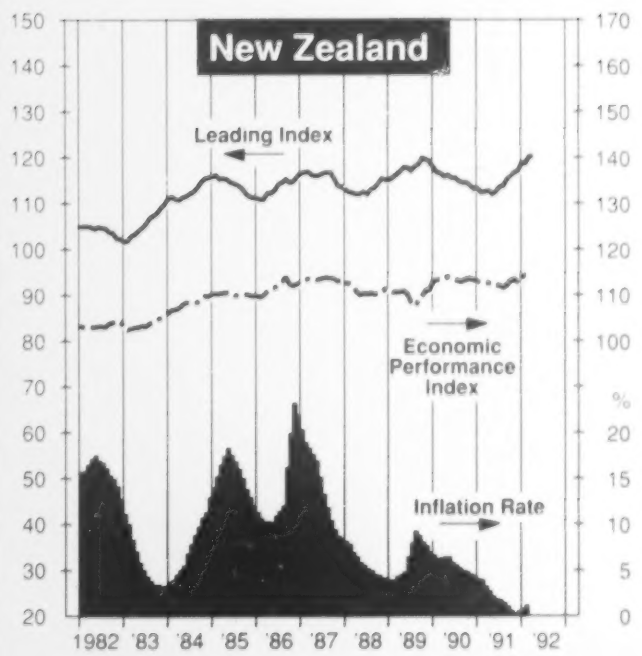


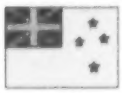
Better News, At Last

The Aussie economy is still near the low point of its long recession, but the cyclical indexes suggest an upswing is getting underway. The leading index has been rising slowly for more than a year. And the performance index, after bouncing around the bottom for most of 1991 now seems to be moving gradually higher.

This prospect is consistent with the consensus forecast for the Australian GDP, which calls for 1992 growth between 2 and 2-1/2 percent. At this pace, however, it will be a good while before much headway is achieved in reducing the present 11 percent unemployment rate.

A more encouraging statistic is the low and stable 1.9 percent inflation rate.



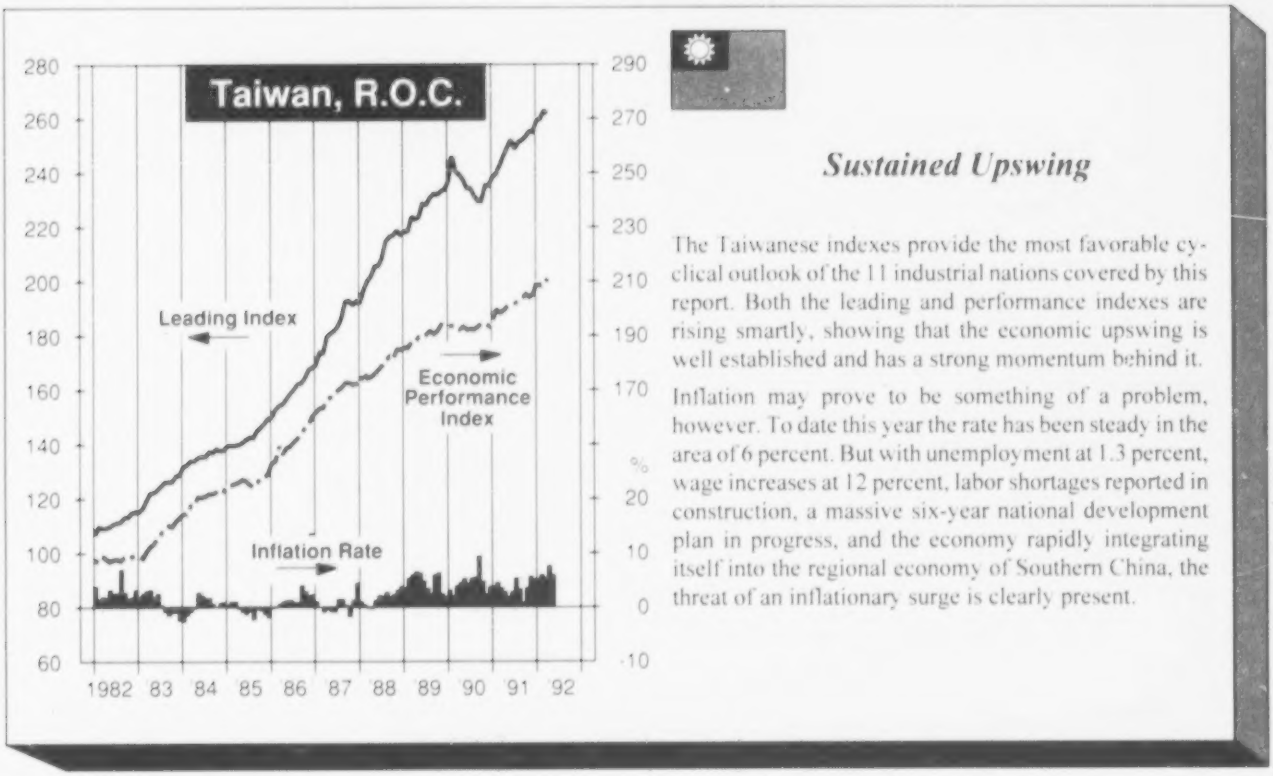


Slow Recovery Indicated

The Kiwi leading index has been fairly decisive in pointing toward an economic upswing since early summer 1991. In recent months the improvement has been led by residential and nonresidential building permits.

Not much action is to be found, however, in the economic performance index, although slow gains are indicated for the latest few months. This rise is consistent with the consensus forecast of 2-1/2 to 3-1/2 percent GDP growth in 1992.

The inflation rate is very low—1.1 percent—and with unemployment high and likely to remain so for some time, there's little worry that inflation will become troublesome again soon.



Sustained Upswing

The Taiwanese indexes provide the most favorable cyclical outlook of the 11 industrial nations covered by this report. Both the leading and performance indexes are rising smartly, showing that the economic upswing is well established and has a strong momentum behind it.

Inflation may prove to be something of a problem, however. To date this year the rate has been steady in the area of 6 percent. But with unemployment at 1.3 percent, wage increases at 12 percent, labor shortages reported in construction, a massive six-year national development plan in progress, and the economy rapidly integrating itself into the regional economy of Southern China, the threat of an inflationary surge is clearly present.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100										Growth Rates, Percent									
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Jan	91	136	136	145	138	123	132	134	125	166	162	0	-4	4	-2	-7	-6	4	0	5	-4
Feb	91	136	136	145	138	122	132	134	125	167	162	-1	-3	3	-2	-7	-5	3	0	5	-3
Mar	91	136	136	146	138	121	132	134	126	166	161	-1	-3	2	-2	-7	-5	3	1	4	-4
Apr	91	136	136	146	138	122	133	134	126	168	159	-1	-2	3	-2	-6	-3	2	1	4	-6
May	91	136	137	146	137	122	134	134	126	169	158	0	-2	3	-2	-5	0	2	1	5	-7
June	91	136	137	146	137	122	136	135	127	169	157	0	0	2	-2	-4	2	2	2	4	-6
July	91	137	138	147	138	122	137	135	127	170	158	1	1	3	-1	-3	4	2	2	4	-5
Aug	91	137	138	147	137	122	138	134	127	170	157	0	2	2	-1	-2	5	1	2	4	-5
Sept	91	137	138	147	137	122	138	134	127	170	157	0	2	2	-1	-1	6	0	1	4	-4
Oct	91	137	138	147	136	122	139	135	126	170	156	1	2	2	-2	-1	7	1	1	3	-5
Nov	91	136	138	147	135	122	139	135	126	170	154	0	1	1	-3	-1	6	0	0	2	-6
Dec	91	136	137	146	135	121	139	134	126	170	152	0	0	0	-3	1	5	0	0	2	-7
Jan	92	137	139	148	135	121	141	135	127	171	153	1	2	2	-2	-1	7	1	1	3	-6
Feb	92	137	140	148	136	122	142	136	128	172	153	1	3	2	-1	0	8	1	2	3	-4
Mar	92	137	140	147	136	122	142	135	128	169	153	0	2	0	-1	0	7	1	2	0	-4
Apr	92	137	139	148	135	122	143	136	128	171	148	1	1	2	-3	0	6	2	2	2	-8
												Ten Year Annual Growth Rate, Percent									
												3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Jan	91	122	134	128	114	133	134	150	130	126	114	122	114	166	162	247	235	142	122	113	113	196	239
Feb	91	121	134	127	112	133	134	150	130	125	114	122	115	166	162	248	231	140	122	112	112	200	240
Mar	91	121	134	127	114	134	134	150	132	125	115	123	115	166	161	249	232	138	122	112	112	199	243
Apr	91	121	135	128	115	134	133	151	133	124	115	121	116	168	158	255	236	135	122	112	112	199	246
May	91	121	136	128	117	134	133	151	133	123	116	122	116	169	156	253	237	136	123	112	112	201	249
June	91	122	137	128	117	135	134	152	135	124	115	123	116	169	156	252	232	136	123	112	112	202	252
July	91	122	139	128	118	135	134	153	136	123	116	123	116	170	156	254	241	134	124	112	113	202	249
Aug	91	122	140	128	118	133	134	153	136	123	115	123	115	170	155	257	242	137	124	111	114	203	251
Sept	91	122	140	129	117	133	134	153	135	122	115	122	115	170	155	256	242	134	123	112	115	204	252
Oct	91	121	141	128	116	134	133	154	135	122	115	123	115	170	152	257	251	135	124	113	116	205	254
Nov	91	121	142	128	115	133	133	154	134	122	115	124	115	170	150	258	245	133	123	113	116	204	255
Dec	91	121	142	128	115	133	133	153	133	121	115	122	115	170	149	260	241	134	123	112	117	205	255
Jan	92	121	143	128	116	135	134	154	134	121	115	123	116	171	149	266	245	137	125	114	118	210	260
Feb	92	121	145	128	117	135	135	154	135	122	116	125	116	172	150	264	240	135	125	114	118	208	260
Mar	92	121	145	128	117	134	134	153	137	121	115		116	169	149	264	244	135	126	114	120	209	263
Apr	92	121	145	128	116	134	134	155	137	122	117		116	171	143	264	243	137	126		120	211	262
May	92	121	146													264	242	136	127				
		Growth Rates, Percent																					
Jan	91	-7	-6	-7	-6	8	4	5	-1	-3	-4	4	-3	7	-5	9	6	-7	-4	-1	-4	3	2
Feb	91	-7	-5	-7	-9	7	4	3	0	-4	-4	2	-2	6	-4	8	1	-8	-2	-1	-4	6	3
Mar	91	-7	-4	-7	-6	6	3	3	2	-4	-2	3	-1	5	-5	8	3	-10	-3	-1	-4	4	6
Apr	91	-6	-2	-5	-2	6	2	3	3	-5	-2	0	1	6	-7	11	6	-12	-2	-1	-3	5	8
May	91	-5	0	-3	1	6	1	2	3	-5	-1	2	1	7	-9	9	6	-10	0	-1	-3	6	10
June	91	-4	1	-3	2	5	1	3	5	-4	-1	3	1	5	-8	6	1	-8	0	-2	-2	6	12
July	91	-3	4	-2	3	4	1	4	6	-4	1	2	2	6	-7	7	8	-9	1	-2	0	5	8
Aug	91	-2	5	-2	3	1	1	4	6	-4	0	2	0	4	-7	8	8	-4	2	-2	1	5	9
Sept	91	-2	6	0	2	1	1	3	4	-4	-1	0	0	4	-6	6	6	-6	1	-1	3	6	8
Oct	91	-1	7	0	0	1	-1	4	3	-4	0	2	0	4	-7	6	13	-4	1	1	5	6	8
Nov	91	-1	7	0	0	0	-1	3	1	-3	0	2	0	3	-9	5	6	-5	0	1	6	4	8
Dec	91	-2	6	0	-1	0	-1	2	0	-4	-1	-1	0	2	-9	5	2	-4	1	0	6	4	6
Jan	92	-1	8	0	0	1	0	2	1	-3	0	1	1	3	-8	9	5	1	3	2	8	8	8
Feb	92	0	8	0	2	2	2	2	2	-2	2	4	1	3	-6	6	1	0	3	3	7	5	7
Mar	92	0	7	-1	2	0	1	1	4	-2	0		0	-1	-6	5	3	0	4	2	8	5	8
Apr	92	0	6	-1	-1	0	1	3	3	-1	2		0	1	-11	5	1	3	4		8	6	6
May	92	0	6													3	0	0	4				
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

R4105-6

The Conference Board

Volume 14, Number 8 August 1992

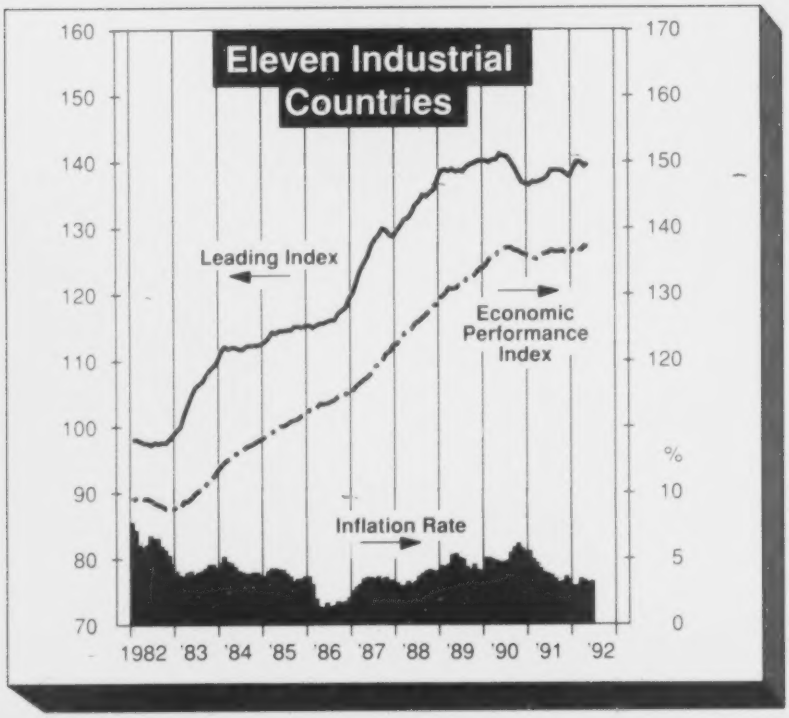
International Economic Scoreboard™

Inside:

- **Global Business Cycle Still Directionless**
- **Unhappy Signals Persist For Japan**
- **U.S. Leaders Loverly, Economy Languishing**
- **United Kingdom In the Doldrums**

Serving Business and Society Since 1916

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	1	1	1	3	2	Recovery stalled, leaders improving	May
Ten countries (U.S. excl.)	3	1	2	1	-3	-1	-2	Expansion stalled, leaders weak	May
North America (2)	3	-1	0	0	6	7	7	Recovery underway	May
Europe (4)	2	0	2	2	0	2	1	Recovery underway, leaders weak	May
Pacific Region (5)	4	2	3	0	-6	-4	-8	Expansion stalled, leaders weak	May
United States	3	-1	0	-1	5	7	6	Recovery underway	June
Canada	3	0	0	-1	0	2	2	Recovery stalled, leaders improving	May
West Germany	2	0	2	1	-1	2	1	Expansion stopped, leaders weak	May
France	2	3	3	2	0	4	3	Expansion continuing	May/June
United Kingdom	2	-4	-3	-2	0	2	1	Recession continuing, leaders weak	May
Italy	2	2	2	4	-2	0	0	Expansion resuming, leaders weak	Feb./May
Japan	4	3	3	0	-9	-6	-11	Expansion stalled, leaders weak	May
Korea, R.O.K.	7	5	5	4	2	3	3	Expansion slowing	June
Australia	3	-5	0	0	0	3	4	Recession ending, leaders improving	May
New Zealand	2	-1	0	2	6	8	6	Recovery underway, leaders improving	Mar./May
Taiwan, R.O.C.	8	4	5	7	6	8	9	Expansion continuing	June

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

More of the Same

The latest global business cycle data sound the same uncertain trumpet that has been heard for the past year and more. For the 11-country composites, growth rates of both the performance and leading indexes are barely on the plus side of zero. Examining the data country by country, the major departures from this pattern are:

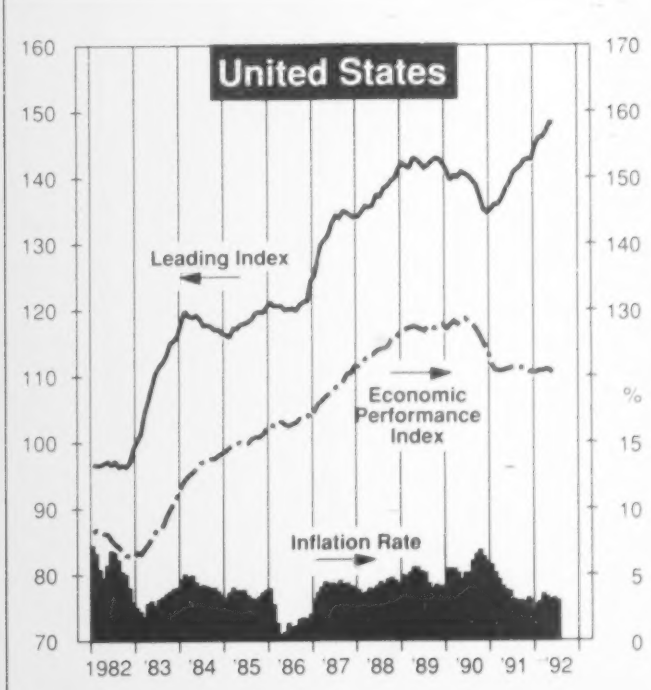
- Japan, where the leading index continues to signal weakness ahead.
- Taiwan, where a sturdy advance in both indexes points to further economic expansion.
- The United States, Australia, and New Zealand, where the leaders show clear signs of recovery but the economy itself is languishing at or near recession levels.

Inflation remains under control. The 11-country average is down to 3.2 percent, with inflation no greater than 6 percent in any nation. Australia is the standout with a rate of just 0.6 percent.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.3	3.4	3.2	Steady	June
Ten countries (U.S. excl.)	5.2	3.7	3.2	3.1	Falling	June
North America (2)	5.6	3.0	3.3	3.0	Steady	June
Europe (4)	6.6	4.5	4.2	3.9	Falling	June
Pacific Region (5)	3.4	3.1	2.3	2.2	Falling	June
United States	5.5	2.7	3.3	3.0	Steady	July
Canada	6.5	1.5	1.3	1.2	Low and Steady	June
West Germany	2.9	4.4	4.4	3.7	Falling	June
France	7.3	3.2	3.2	2.8	Falling	June
United Kingdom	7.3	4.7	4.1	3.9	Falling	June
Italy	11.2	5.8	5.2	5.4	Steady	June
Japan	2.5	2.8	1.9	2.3	Steady	June
Korea, R.O.K.	8.1	8.2	6.4	5.8	Falling	June
Australia	8.4	2.0	1.9	0.6	Low and Falling	May
New Zealand	11.8	0.2	1.1	1.3	Low but Rising	May
Taiwan, R.O.C.	4.4	5.0	5.2	3.7	Falling	June

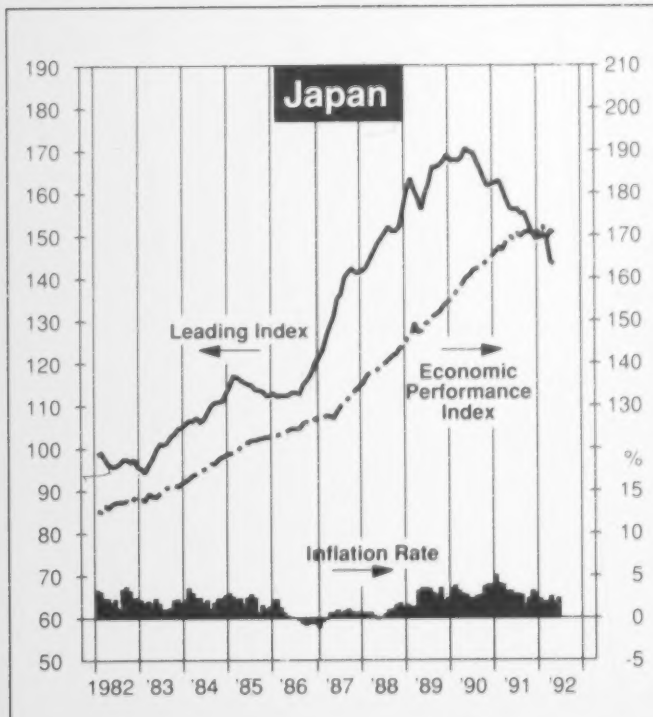
* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.



Bifurcated Signals

The U.S business cycle continues to give off mixed signals, with the leading index advancing smartly while the performance index languishes. Among the components of the performance index, the standoff is the result of sharp increases in unemployment offset by restrained gains in industrial production, payroll employment, and manufacturing and trade sales.

Consequently, the optimists can point to the uptrend in GDP and conclude that the recession is over, while the pessimists focus on the statistic that the public is most sensitive to—unemployment—and conclude that the recession is still with us. From the technical perspective of business cycle analysis, the optimists are right, but from the general feel of the economy the pessimists are carrying the day.

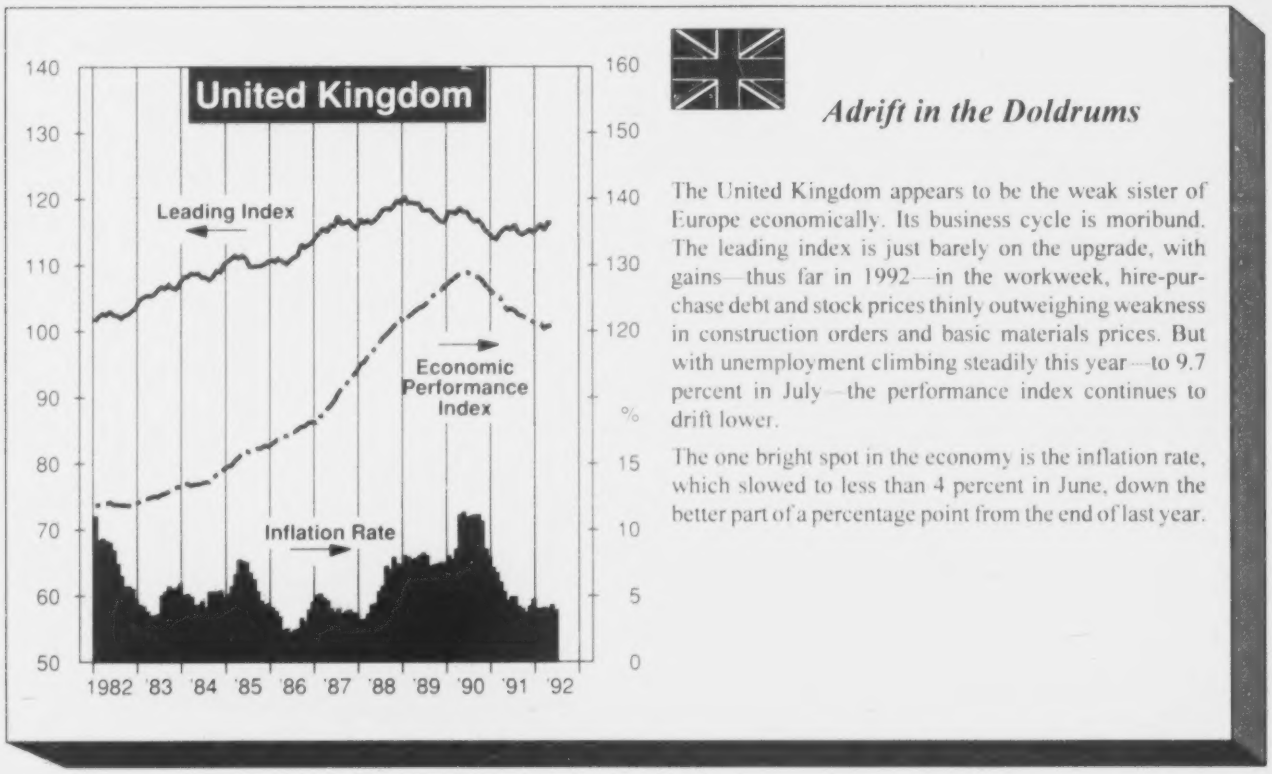


The Pessimism Persists

The Japanese leading index continues in severe decline, a drop that has persisted for some two years. The further decline this year is attributable mostly to falling overtime hours, profit margins, and stock prices.

Despite the long plunge in the leaders, the economy has not followed into outright contraction. The one major component of the performance index that *is* declining sharply is industrial production. But the drop in factory output has been offset by continuing gains in wage and salary income and employment, leaving the performance index flat for the past twelve months. Correspondingly, most 1992 forecasts for Japanese GDP call for growth in the range of 2 to 3 1/2 percent.

Stock prices are the main concern in Japan, because about half of the banking system's capital is invested in common stocks. The worry is that the impairment in their capital base from the drop in stock prices will limit the banks' capacity to make new loans available to the economy.



Adrift in the Doldrums

The United Kingdom appears to be the weak sister of Europe economically. Its business cycle is moribund. The leading index is just barely on the upgrade, with gains—thus far in 1992—in the workweek, hire-purchase debt and stock prices thinly outweighing weakness in construction orders and basic materials prices. But with unemployment climbing steadily this year—to 9.7 percent in July—the performance index continues to drift lower.

The one bright spot in the economy is the inflation rate, which slowed to less than 4 percent in June, down the better part of a percentage point from the end of last year.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1991-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Jan	91	136	136	145	138	122	133	134	125	166	162
Feb	91	136	137	146	138	121	134	134	126	167	162
Mar	91	135	137	146	138	121	134	134	126	166	161
Apr	91	136	137	146	138	121	135	134	126	168	159
May	91	136	137	146	137	121	136	134	126	169	158
June	91	136	138	146	137	121	137	135	127	169	157
July	91	137	139	147	138	122	138	135	127	170	158
Aug	91	136	139	147	137	122	139	134	127	170	157
Sept	91	136	139	147	137	122	139	134	126	170	157
Oct	91	137	139	147	136	122	140	135	126	170	156
Nov	91	136	138	147	135	121	140	134	126	170	154
Dec	91	136	138	146	135	121	140	134	126	170	152
Jan	92	137	139	148	135	121	142	135	127	171	153
Feb	92	137	140	148	136	121	143	136	128	172	153
Mar	92	136	140	147	136	121	143	135	128	169	153
Apr	92	137	139	148	134	121	144	136	128	171	149
May	92	137	140	148	134	121	145	136	128	170	148

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Jan	0	-4	4	-2	-7	-6	4	0	5	-4
Feb	-1	-3	3	-2	-6	-5	3	0	5	-3
Mar	-1	-3	2	-2	-7	-4	3	1	4	-4
Apr	-1	-2	3	-2	-6	-2	2	1	5	-6
May	0	-1	3	-2	-5	0	2	1	5	-7
June	0	0	2	-2	-4	2	2	2	4	-6
July	1	1	3	-1	-3	4	2	2	4	-5
Aug	0	1	2	-1	-2	5	1	2	4	-5
Sept	0	2	2	-1	-2	5	0	1	4	-4
Oct	1	1	2	-2	-1	6	1	0	3	-5
Nov	0	1	1	-3	-1	6	0	0	2	-6
Dec	0	0	0	-3	-1	5	0	-1	2	-7
Jan	1	2	2	-2	-1	7	1	1	3	-6
Feb	1	3	2	-1	0	7	2	2	3	-4
Mar	0	2	0	-1	0	6	1	2	0	-4
Apr	1	1	2	-2	0	6	2	2	2	-6
May	1	2	1	-2	0	7	2	1	0	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1991-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Jan	91	122	135	128	114	133	134	150	130	126	114	122	115	166	162	247	235	142	122	113	113	196	239
Feb	91	121	136	127	112	133	134	150	131	125	114	122	116	167	162	248	231	140	122	112	112	200	240
Mar	91	120	136	127	114	134	134	150	132	125	115	123	116	166	161	249	232	138	122	112	112	199	243
Apr	91	120	137	128	115	134	133	151	133	124	116	121	116	168	158	255	236	135	122	112	112	199	246
May	91	121	138	128	117	134	133	151	133	123	116	122	116	169	156	253	237	136	123	112	112	201	249
June	91	121	139	128	117	135	134	151	135	124	115	123	116	169	156	252	232	136	123	112	112	202	252
July	91	121	140	128	118	135	134	153	136	123	116	123	116	170	156	254	241	134	124	112	113	202	249
Aug	91	121	141	128	118	133	134	153	136	123	115	123	115	170	155	257	242	137	124	111	114	203	251
Sept	91	121	141	129	117	133	134	153	135	122	115	122	114	170	155	256	242	134	123	112	115	204	252
Oct	91	121	142	128	116	134	133	154	135	122	115	123	114	170	152	257	251	135	124	113	116	205	254
Nov	91	120	142	128	115	133	133	154	133	122	115	124	114	170	150	258	245	133	123	113	116	204	255
Dec	91	120	142	128	115	133	133	154	133	122	115	122	114	170	149	260	241	134	123	113	117	205	255
Jan	92	120	144	128	116	135	134	154	134	121	116	123	115	171	149	266	245	137	125	114	119	210	260
Feb	92	120	146	128	117	135	135	155	136	121	116	125	115	172	150	264	240	135	125	114	119	208	260
Mar	92	120	146	128	117	134	134	154	138	120	115		115	169	149	264	244	135	126	113	120	210	263
Apr	92	121	147	128	116	134	134	156	138	121	116		115	171	143	264	246	137	126		121	211	262
May	92	120	148	128	118	135	134	155	137	121	116		115	170	143	263	244	136	127		120	210	264
June	92	120	148						138							265	246					214	268
		Growth Rates, Percent																					
Jan	91	-7	-6	-7	-8	8	4	5	-1	-3	-4	4	-3	6	-5	9	6	-7	-4	-1	-4	3	2
Feb	91	-8	-5	-7	-9	7	4	3	0	-4	-4	2	-2	6	-4	8	1	-8	-2	-1	-4	6	3
Mar	91	-8	-4	-7	-6	6	3	3	2	-4	-2	3	-2	5	-5	8	3	-10	-3	-1	-4	4	6
Apr	91	-6	-2	-5	-2	6	2	3	3	-5	-1	0	0	6	-7	11	6	-12	-2	-1	-3	5	8
May	91	-5	0	-3	1	6	1	2	3	-5	0	2	-1	7	-9	9	6	-10	0	-1	-3	6	10
June	91	-4	2	-3	2	5	1	3	5	-4	-1	3	0	5	-8	6	1	-8	0	-2	-2	6	12
July	91	-3	4	-2	3	4	1	4	6	-4	1	2	0	6	-7	7	8	-9	1	-2	0	5	8
Aug	91	-2	5	-2	3	1	1	4	6	-4	-1	2	-1	4	-7	8	8	-4	2	-2	1	5	9
Sept	91	-2	5	0	2	1	1	3	4	-4	-1	0	-1	4	-6	6	6	-6	1	-1	3	6	8
Oct	91	-1	6	0	0	1	-1	4	3	-4	0	2	-2	4	-7	6	13	-4	1	1	5	6	8
Nov	91	-1	6	0	0	0	-1	3	0	-4	0	2	-2	3	-9	5	6	-5	0	1	6	4	8
Dec	91	-1	5	0	-1	0	-1	3	0	-3	0	-1	-2	2	-9	5	2	-4	1	0	6	4	6
Jan	92	-1	7	0	1	1	0	3	1	-3	1	1	0	3	-8	9	5	1	3	2	8	8	8
Feb	92	0	8	0	2	2	2	3	3	-3	2	4	0	3	-6	8	1	0	3	3	8	5	7
Mar	92	0	7	-1	2	1	1	2	4	-3	0		0	-1	-6	5	3	0	4	2	9	5	8
Apr	92	0	6	-1	-1	0	1	4	4	-2	2		0	1	-11	5	3	3	4		9	6	6
May	92	0	7	-1	2	1	1	2	3	-2	1		0	0	-11	3	2	0	4		6	4	6
June	92	-1	6						3							4	3					7	9
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8

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The Conference Board

Volume 14, Number 9 September 1992

International Economic Scoreboard™

Inside:

- **Global Business Cycle Vegetating**
- **Germany: No Recession Imminent**
- **Japanese Indexes Still Ugly**
- **Sluggish U.S. Recovery Should Improve**

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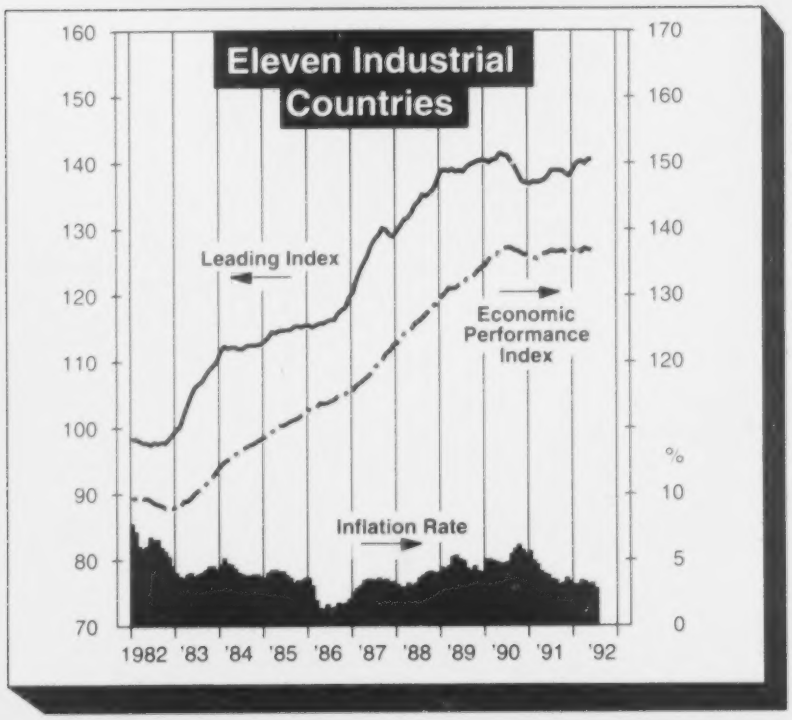
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	0	0	0	0	3	2	Recovery stalled, leaders improving	June
Ten countries (U.S. excl.)	3	0	0	1	-3	0	-1	Expansion stalled, leaders weak	June
North America (2)	3	-1	0	0	5	7	7	Recovery underway	June
Europe (4)	2	0	0	1	-1	2	2	Expansion stalled, leaders improving	June
Pacific Region (5)	4	2	0	1	-7	-4	-6	Expansion stalled, leaders weak	June
United States	3	-1	0	0	7	7	7	Slow recovery underway	July
Canada	3	0	0	0	0	5	6	Recovery stalled, leaders improving	June
West Germany	2	0	1	-1	-1	2	4	Expansion stopped, leaders improving	June
France	2	3	2	1	1	3	0	Expansion slowing, leaders weak	June/July
United Kingdom	2	-3	-3	-1	0	0	0	Recession continuing, leaders weak	June
Italy	2	2	1	3	-2	0	-2	Expansion resuming, leaders weak	Apr./June
Japan	4	2	-1	1	-9	-6	-9	Expansion stalled, leaders weak	June
Korea, R.O.K.	7	9	5	6	5	3	-4	Expansion slowing, leaders weak	July
Australia	3	2	2	-2	3	4	6	Recession continuing, leaders improving	July
New Zealand	2	1	1	4	6	8	5	Recovery underway	June
Taiwan, R.O.C.	8	8	6	7	8	6	5	Expansion continuing	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Quiescent Cycle

The major news story in the world's financial markets these days is the collapse of the European exchange-rate system. What this event portends for the global business cycle is a question we are happy to leave to the speculators and pundits. We venture just two observations: First, the main lesson is an old one, namely, that fixed exchange rates don't stay fixed. Second, despite the enormous uncertainty it generates, the whole event probably has a good bit less significance for economic activity than almost every analysis of it will try to tell you.

As of the latest reports, nothing in the 11-country indexes suggests that dramatic changes are imminent in the global business cycle. The pattern of the past year—a flat performance index and a slowly rising leading index—is still with us.

Indeed, the performance indexes are pretty flat in almost every country. The exceptions are mainly in the Pacific region—Taiwan, Korea, and New Zealand. By contrast, the leading indexes are all over the lot country by country. Japan's leading index is still dramatically sour, and Korea's is somewhat discouraging. On the other hand, the prospect of a rising economy is suggested by upswings in the leaders for the United States, Canada, Australia, New Zealand, Taiwan and even Germany.

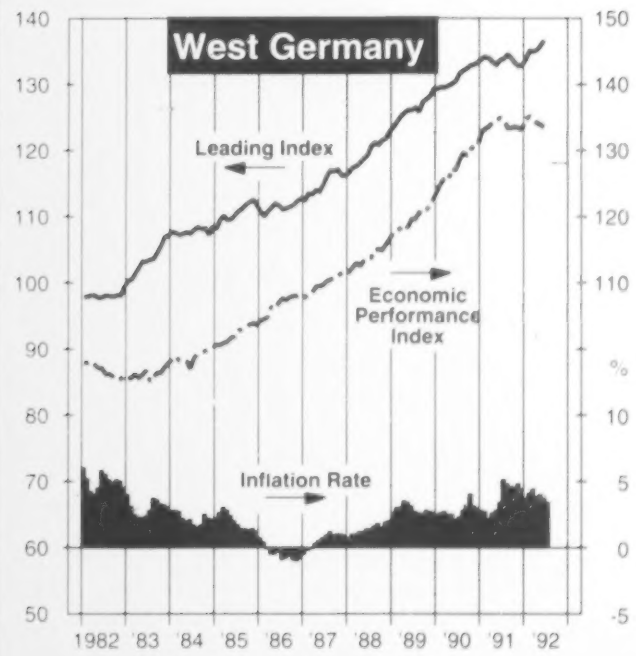
In summary, most industrial economies are quiescent at the moment. Looking ahead, we find that cyclical prospects vary widely around the world. In general it's a moderate outlook but, if we ignore the exchange-rate turmoil in Europe, the optimistic signals outnumber the pessimistic.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.1	3.3	2.8	Steady	July
Ten countries (U.S. excl.)	5.2	3.3	3.3	2.8	Falling	July
North America (2)	5.6	2.6	3.1	2.9	Steady	July
Europe (4)	6.6	4.2	4.0	3.7	Falling	July
Pacific Region (5)	3.4	2.5	2.7	1.5	Low and Falling	July
United States	5.5	2.9	3.1	2.9	Steady	Aug.
Canada	6.5	1.5	1.6	1.3	Low and Steady	July
West Germany	2.9	3.7	3.8	3.4	Falling	July
France	7.3	3.1	3.0	2.8	Steady	July
United Kingdom	7.3	4.3	4.0	3.4	Falling	July
Italy	11.2	5.0	5.6	5.0	Steady	Aug.
Japan	2.5	2.2	2.5	1.2	Low and Falling	July
Korea, R.O.K.	8.1	6.2	6.3	5.6	Falling	Aug.
Australia	8.4	2.0	1.9	0.6	Low and Falling	May
New Zealand	11.8	0.2	1.1	1.3	Low but Rising	May
Taiwan, R.O.C.	4.4	5.0	7.4	4.4	Falling	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

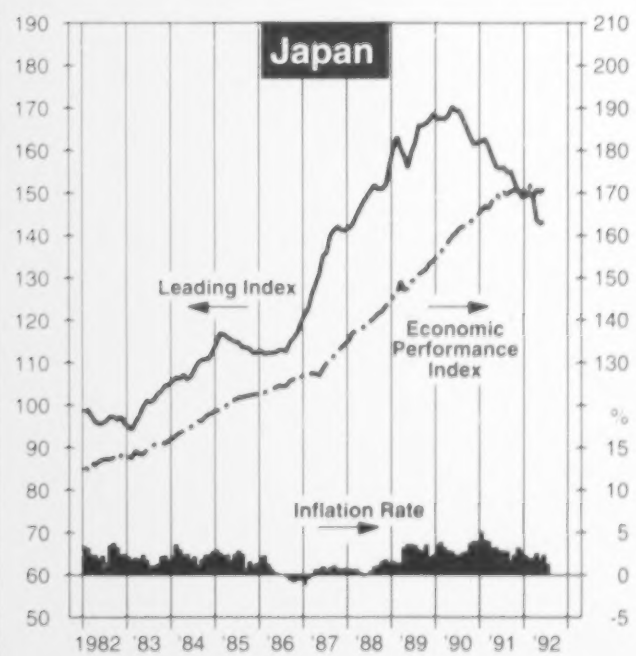
Countries



Prosperity Still Prevails

Rightly or wrongly, most of the blame for the collapse of the European exchange-rate system has fallen on Germany's high interest rates, which in turn are repeatedly cited as the main reason for a German recession, either now or soon. Well maybe so, since high interest rates often do precede a business cycle downturn. But sometimes there's a long lag between the high rates and the cyclical downturn, and the latest German data show no recession in place and none imminent. If a recession is coming, it's still over the horizon, because the German indexes are giving no strong signal either way. In recent months the performance index is basically flat, while the leading index has been climbing slightly. Thus the economy remains at a high level.

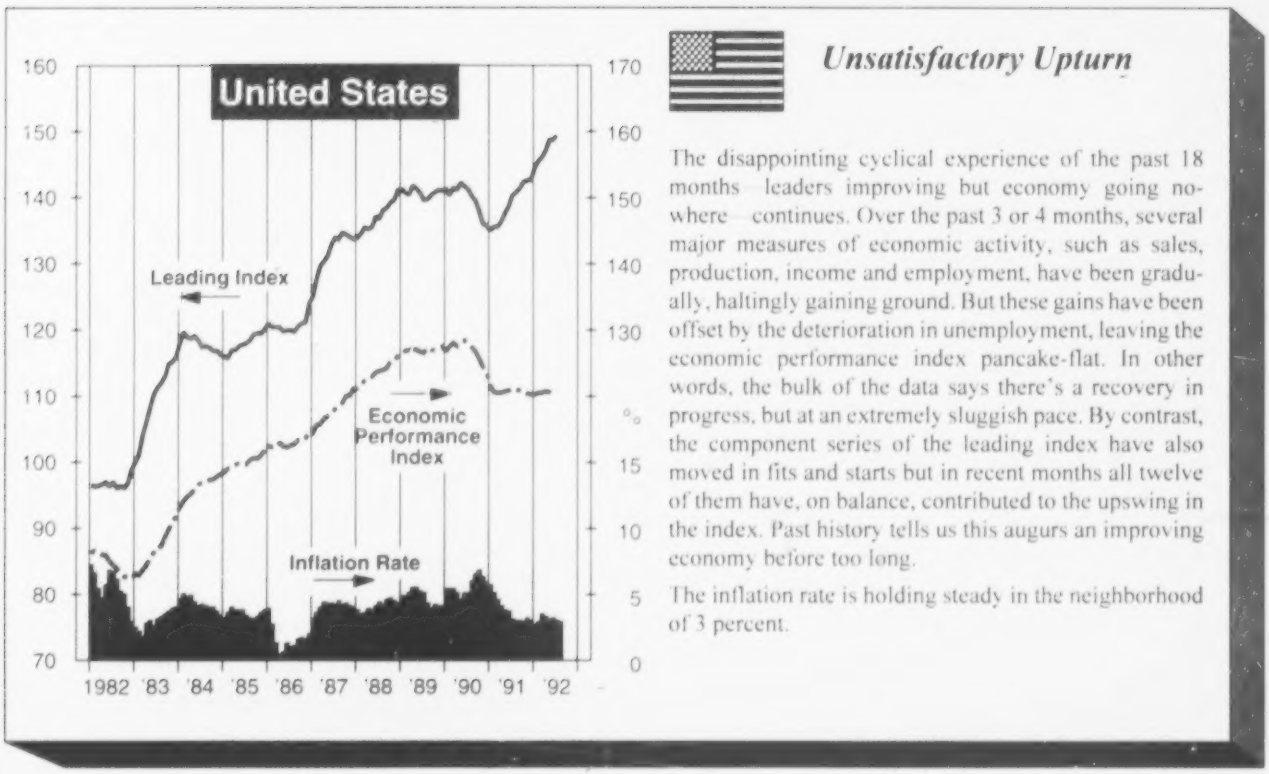
The German inflation rate is slowing gradually. At 3.4 percent, however, inflation is still above a level the country would regard with comfort.



Still An Ugly Cycle

The Japanese business cycle indexes continue to look ugly. To date the leading index remains at the bottom of the abyss with no statistical indication of recovery yet in sight. The economic performance index has been vacillating from month to month around a flat trend. The one encouraging statistic is the inflation rate, which dropped to 1.2 percent in July.

The prevailing mood is pessimistic, on balance. The Bank of Japan's latest survey of business sentiment showed the lowest level of confidence among executives in 15 years. On August 28, in response to the weakness in the economy, the government announced a very large—$87 billion—fiscal stimulus program, mostly public investment. Subsequently, stock prices (one component of the leading index) rebounded strongly, which some analysts are interpreting as the first straw in the wind of cyclical recovery.



Unsatisfactory Upturn

The disappointing cyclical experience of the past 18 months—leaders improving but economy going nowhere—continues. Over the past 3 or 4 months, several major measures of economic activity, such as sales, production, income and employment, have been gradually, haltingly gaining ground. But these gains have been offset by the deterioration in unemployment, leaving the economic performance index pancake-flat. In other words, the bulk of the data says there's a recovery in progress, but at an extremely sluggish pace. By contrast, the component series of the leading index have also moved in fits and starts but in recent months all twelve of them have, on balance, contributed to the upswing in the index. Past history tells us this augurs an improving economy before too long.

The inflation rate is holding steady in the neighborhood of 3 percent.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1991-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes 1980=100										Growth Rates, Percent									
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Jan	91	136	137	145	138	122	133	134	125	166	162	0	-4	4	-2	-7	-6	4	0	5	-4
Feb	91	136	137	146	138	121	134	134	125	167	162	-1	-3	3	-2	-8	-5	3	0	5	-3
Mar	91	135	137	145	138	121	134	134	126	166	161	-1	-3	2	-2	-7	-4	2	1	4	-4
Apr	91	136	137	146	138	121	135	134	126	168	159	-1	-2	3	-2	-6	-3	2	1	5	-6
May	91	136	137	146	137	121	136	134	126	169	158	0	-2	3	-2	-5	0	2	1	5	-7
June	91	136	138	146	137	122	137	135	127	169	157	0	0	2	-2	-4	1	2	2	4	-6
July	91	137	139	147	138	122	138	135	127	170	158	1	1	2	-1	-3	4	2	2	4	-5
Aug	91	136	139	147	137	122	139	134	127	170	157	0	1	2	-1	-2	4	1	2	4	-5
Sept	91	136	139	147	137	122	139	134	127	170	157	0	2	2	-1	-2	5	0	1	4	-4
Oct	91	137	139	147	136	122	140	135	126	170	156	1	1	2	-2	-1	6	1	0	3	-5
Nov	91	136	138	147	135	121	140	134	126	170	154	0	1	1	-3	-1	6	0	0	2	-6
Dec	91	136	138	147	135	121	140	134	126	170	152	0	0	0	-3	-1	5	0	-1	2	-7
Jan	92	137	139	148	136	121	142	135	127	172	153	1	2	2	-2	-1	7	1	1	3	-6
Feb	92	137	140	148	136	121	143	135	128	172	153	1	3	2	-1	0	7	1	2	3	-4
Mar	92	136	140	147	136	121	144	135	128	169	153	0	3	0	0	0	7	0	2	0	-4
Apr	92	137	140	148	135	121	145	135	128	171	149	1	2	1	-2	0	7	1	2	1	-8
May	92	137	140	147	135	121	146	135	128	170	148	0	2	0	-2	0	8	1	2	0	-8
June	92	137	140	148	135	121	146	135	128	171	148	0	2	1	-1	0	7	1	2	1	-6

INDEXES, ELEVEN COUNTRIES, 1991-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes 1980=100																					
		Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead	Perf	Lead
Apr	91	120	136	128	115	134	133	151	133	124	116	121	116	168	158	255	236	135	122	112	112	199	246
May	91	121	138	128	117	134	133	151	133	123	116	122	116	169	156	253	237	135	123	112	112	201	249
June	91	121	139	128	117	135	134	151	135	124	115	123	116	169	156	252	232	136	123	112	112	202	252
July	91	121	140	128	118	134	134	153	136	123	116	123	116	170	156	254	241	134	124	112	113	202	249
Aug	91	121	141	128	118	133	134	153	136	123	115	123	115	170	155	257	242	137	124	111	114	203	251
Sept	91	121	141	129	117	133	134	153	135	122	115	122	115	170	155	256	242	134	123	112	115	204	252
Oct	91	121	142	128	116	134	133	154	135	122	115	123	114	170	152	257	251	135	123	113	116	205	254
Nov	91	120	143	128	116	133	133	153	133	122	115	124	114	170	150	258	245	133	123	113	116	204	255
Dec	91	120	143	128	115	133	133	154	133	122	115	122	114	170	149	260	241	134	123	113	117	205	255
Jan	92	120	144	128	117	135	134	155	134	121	116	123	115	171	149	266	245	137	125	114	118	210	260
Feb	92	120	146	128	118	135	135	155	136	121	116	125	115	172	150	264	240	136	125	114	118	208	260
Mar	92	120	146	128	119	134	135	154	137	120	115	124	115	169	149	264	244	135	125	113	120	210	263
Apr	92	121	147	128	119	134	135	156	137	121	116	125	115	171	143	264	246	136	126	114	120	211	262
May	92	121	149	128	121	134	136	155	137	121	116		114	170	143	263	243	135	126	114	119	210	264
June	92	120	149	128	121	133	137	155	137	121	116		114	171	143	265	245	133	127	115	120	213	269
July	92	121	149						136							269	238	134	129			215	265
		Growth Rates, Percent																					
Apr	91	-6	-3	-5	-2	6	1	3	3	-5	-1	0	-1	6	-7	11	6	-12	-1	-1	-3	5	8
May	91	-5	0	-3	1	6	0	3	3	-5	0	2	-1	7	-9	9	6	-10	1	-1	-3	6	10
June	91	-4	1	-3	2	5	1	3	5	-4	-1	3	0	5	-8	6	1	-7	0	-2	-2	6	12
July	91	-3	4	-2	2	4	1	4	6	-4	1	2	0	6	-7	7	8	-9	1	-1	0	5	8
Aug	91	-2	5	-2	3	1	2	3	6	-4	-1	2	-1	4	-7	8	6	-4	1	-2	1	5	9
Sept	91	-2	5	0	2	1	1	3	4	-4	-1	0	-1	4	-6	6	6	-6	1	-1	3	6	8
Oct	91	-1	6	0	1	1	0	4	3	-4	0	2	-2	4	-7	6	13	-4	1	1	5	6	8
Nov	91	-1	6	0	0	0	-1	3	0	-4	0	2	-2	3	-9	5	6	-5	0	2	6	4	8
Dec	91	-1	6	0	0	0	-1	3	0	-3	0	-1	-2	2	-9	5	2	-4	0	1	5	4	6
Jan	92	-1	7	0	2	2	0	4	1	-3	1	1	0	3	-8	9	5	2	3	2	8	6	8
Feb	92	0	8	0	4	2	2	3	3	-3	2	3	0	3	-6	6	1	0	2	2	8	5	7
Mar	92	0	7	0	5	1	2	2	4	-3	0	2	0	-1	-6	5	3	0	3	1	8	5	8
Apr	92	0	7	0	4	0	2	3	3	-2	2	3	0	1	-11	5	3	2	4	3	8	6	6
May	92	0	8	0	6	0	3	2	3	-2	1		-2	0	-11	3	1	0	3	3	5	4	6
June	92	0	7	0	6	-1	4	1	2	-1	0		-2	1	-9	4	2	-3	4	4	5	6	9
July	92	0	7						0							6	-4	-2	6			7	5
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8